



Heart of the Inland Waterway

TOWNSHIP OF TUSCARORA, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Township Board of Trustees
Township of Tuscarora
Tuscarora, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Tuscarora, Michigan (the "Township") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's

ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 and *Government 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, budgetary comparison information, and the schedules of

proportionate share of net pension liabilities and contributions, 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 accompanying combining and individual fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2023, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Gabridge & Company". The signature is fluid and cursive, with "Gabridge" on the first line and "& Company" on the second line, slightly overlapping the first.

Gabridge & Company, PLC

Traverse City, MI

December 29, 2023

Management's Discussion and Analysis

Township of Tuscarora
Management's Discussion and Analysis
June 30, 2023

As management of the Township of Tuscarora, Michigan (The “Township” or “government”) we offer readers of the Township’s financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Township exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,160,121 (net position). Of this amount, \$1,680,235 represents unrestricted net position, which may be used to meet the government’s ongoing obligations to citizens and creditors.
- The Township’s total net position decreased by \$34,701 during the year. Revenues for the Township showed an increase of \$88,871 and expenses for the Township increased by \$256,837 from the prior fiscal year.
- At the close of the current fiscal year, the Township’s governmental funds reported combined fund balances of \$2,146,256, an increase of \$10,281 in comparison with the prior year. Approximately \$821,560, is available for spending at the government’s discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$821,560, or approximately 88.4% 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 a private-sector business.

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

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave and accrued interest on long-term debt).

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 governmental activities of the Township include general government, police and fire protection, streets, health and welfare, community and economic development, and recreation and culture. The business-type activities of the Township include sewer services.

The government-wide financial statements include not only the Township itself (known as the primary government), but also the legally separate Downtown Development Authority ("DDA") and Indian River Area Library ("Library"), for which the Township is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself. Financial statements for the DDA and Library can be located in the other supplemental information section of this report.

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: governmental 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 seven 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, police fund, ARPA Fund, and the 2016 special assessment bonds debt retirement fund, which are considered to be major funds. Data

from the fire fund, road capital projects fund, the boat launch fund, and street lighting fund are presented as a separate column as they are considered nonmajor funds.

The Township adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

Proprietary Funds. The Township maintains one type of proprietary fund, 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 enterprises funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sewer operations. The sewer fund is considered to be a major fund of the Township.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement 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 reports one type of fiduciary fund, a *custodial fund*.

The *custodial fund* reports 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 and the Townships pension plan schedules.

This report also presents other supplementary information which includes the nonmajor fund and component unit combining and individual statements. The combining statements are presented immediately following the required supplementary information on pensions.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,160,121, at the close of the most recent fiscal year.

Township of Tuscarora's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 2,340,386	\$ 2,604,604	\$ 35,463	\$ 138,398	\$ 2,375,849	\$ 2,743,002
Receivables	87,537	126,043	106,004	125,263	193,541	251,306
Due from Other Governments	53,134	59,091	-	-	53,134	59,091
Total Current Assets	2,481,057	2,789,738	141,467	263,661	2,622,524	3,053,399
<i>Noncurrent Assets</i>						
Capital Assets, net	3,228,806	3,342,450	5,683,522	5,407,492	8,912,328	8,749,942
Restricted Cash	-	-	96,470	342,986	96,470	342,986
Long-term Receivables	216,274	269,408	1,680,197	1,751,583	1,896,471	2,020,991
Total Assets	5,926,137	6,401,596	7,601,656	7,765,722	13,527,793	14,167,318
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related Deferred Outflows	441,088	298,274	-	-	441,088	298,274
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	17,696	256,157	11,306	9,852	29,002	266,009
Payroll Liabilities	50,264	32,560	-	-	50,264	32,560
Unearned Revenue	180,460	239,003	-	-	180,460	239,003
Accrued Interest	3,996	5,893	7,564	7,840	11,560	13,733
Current Portion of Long-term Debt	234,000	226,000	63,000	63,000	297,000	289,000
Current Portion of Compensated Absences	17,270	16,722	-	-	17,270	16,722
Total Current Liabilities	503,686	776,335	81,870	80,692	585,556	857,027
<i>Noncurrent Liabilities</i>						
Compensated Absences	32,073	31,054	-	-	32,073	31,054
Long-term Debt	242,000	476,000	1,666,000	1,729,000	1,908,000	2,205,000
Net Pension Liability	1,108,203	797,211	-	-	1,108,203	797,211
Total Liabilities	1,885,962	2,080,600	1,747,870	1,809,692	3,633,832	3,890,292
DEFERRED INFLOWS						
Deferred Lease Revenues	125,798	128,331	-	-	125,798	128,331
Pension Related Deferred Inflows	49,130	252,147	-	-	49,130	252,147
Total Deferred Inflows	174,928	380,478	-	-	174,928	380,478
NET POSITION						
Net Investment in Capital Assets	2,752,806	2,640,450	3,954,522	3,615,492	6,707,328	6,255,942
Restricted	1,418,334	1,500,381	354,224	342,986	1,772,558	1,843,367
Unrestricted	135,195	97,961	1,545,040	1,997,552	1,680,235	2,095,513
Total Net Position	\$ 4,306,335	\$ 4,238,792	\$ 5,853,786	\$ 5,956,030	\$ 10,160,121	\$ 10,194,822

A portion of the Township's net position, \$6,707,328, or 66.0%, reflects its investment in capital assets (e.g., land and land improvements, buildings and improvements, 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.

An additional portion of the Township's net position, \$1,772,558, or 17.5%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of

\$1,680,235, or 16.5%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

A summary of significant changes between the last two fiscal years are as follows:

- Cash and investments decreased by \$367,153 as the Township paid down approximately \$237,000 of accounts payable, had principal payments on long-term debt of \$289,000, and purchased \$162,000 of capital assets.
- Receivables (short- and long-term) decreased by a net \$182,285 due to the continued collection of special assessments.
- Unearned revenue decreased by \$58,543 as the Township used some of its ARPA monies for purchases in the current fiscal year, causing a portion of the funds to be recognized as grant revenue.
- Net pension liability and pension related deferred outflows of resources increased by \$310,992 and \$142,814, respectively, whereas pension related deferred inflows of resources decreased by \$203,017 as pension assets incurred investment losses of 10.37%, being significantly different than net projected investment income.

Governmental Activities. There were significant fluctuations in governmental activities revenues and expenses in the current year, governmental activities net position, in total, changed from the prior year increasing by \$67,543, with revenues increasing by \$62,244 while expenses increased by \$211,005. Significant events leading to this change are highlighted as follows:

- ARPA funding of \$58,543 recognized as grant revenue in the current year.
- Public safety expenses increasing by \$104,373 as the police department's defined benefit pension plan expense increased by \$126,700 in the current fiscal year.

Business-type Activities. Business-type activities decreased the Township's net position by \$102,244. Total expenses and revenues were both similar amounts to the prior year leading to a similar decrease. The most significant change was increased professional fees and operating costs.

Township of Tuscarora's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues						
Charges for Services	\$ 212,851	\$ 180,199	\$ 154,964	\$ 156,991	\$ 367,815	\$ 337,190
Operating Grants and Contributions	308,670	289,276	48,700	-	357,370	289,276
<i>Total Program Revenues</i>	<i>521,521</i>	<i>469,475</i>	<i>203,664</i>	<i>156,991</i>	<i>725,185</i>	<i>626,466</i>
General Revenues						
Property Taxes	1,545,160	1,521,946	-	-	1,545,160	1,521,946
Unrestricted State Revenue Sharing	331,643	330,438	-	-	331,643	330,438
Interest Income	5,777	19,998	58,031	78,077	63,808	98,075
<i>Total General Revenues</i>	<i>1,882,580</i>	<i>1,872,382</i>	<i>58,031</i>	<i>78,077</i>	<i>1,940,611</i>	<i>1,950,459</i>
<i>Total Revenues</i>	<i>2,404,101</i>	<i>2,341,857</i>	<i>261,695</i>	<i>235,068</i>	<i>2,665,796</i>	<i>2,576,925</i>
Expenses						
General Government	451,766	380,650	-	-	451,766	380,650
Public Safety	1,292,903	1,188,530	-	-	1,292,903	1,188,530
Public Works	167,468	111,764	363,939	318,107	531,407	429,871
Community and Economic Development	11,139	-	-	-	11,139	-
Recreation and Culture	391,609	415,550	-	-	391,609	415,550
Interest on Long-term Debt	21,673	29,059	-	-	21,673	29,059
<i>Total Expenses</i>	<i>2,336,558</i>	<i>2,125,553</i>	<i>363,939</i>	<i>318,107</i>	<i>2,700,497</i>	<i>2,443,660</i>
Change in Net Position						
Net Position at the Beginning of Period	67,543	216,304	(102,244)	(83,039)	(34,701)	133,265
<i>Net Position at the End of Period</i>	<i>4,238,792</i>	<i>4,022,488</i>	<i>5,956,030</i>	<i>6,039,069</i>	<i>10,194,822</i>	<i>10,061,557</i>
	<i>\$ 4,306,335</i>	<i>\$ 4,238,792</i>	<i>\$ 5,853,786</i>	<i>\$ 5,956,030</i>	<i>\$ 10,160,121</i>	<i>\$ 10,194,822</i>

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township's Board.

At June 30, 2023, the Township's governmental funds reported combined fund balances of \$2,146,256, an increase of \$10,281 in comparison with the prior year. Approximately 38.3% of this amount, \$821,560, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *assigned*, or *restricted* to indicate that it is: 1) restricted for particular purposes \$1,241,477 (57.8%) or 2) assigned for particular purposes, \$83,219 or 3.9%.

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 \$821,560. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 88.4% of total general fund expenditures and transfers out. The explanations for the change were provided in an earlier section of this report.

The police fund, a major fund, had a \$133,454 increase in fund balance during the current fiscal year which put the overall fund balance at \$826,850. The explanations for the change were provided in an earlier section of this report.

The 2016 Special Assessment Bonds Debt Retirement, a major fund, had a decrease of \$147,721 in the current fiscal year, for an overall fund balance of \$282,442. The decrease is a result of special assessments revenue being less than the routine principal and interest payments on long-term debt.

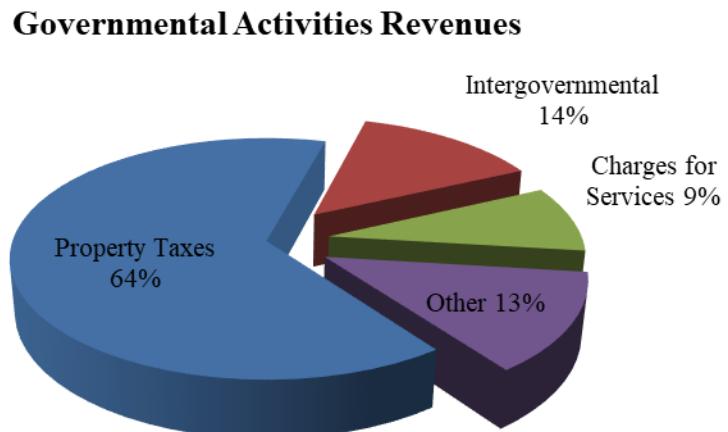
ARPA, a major fund, had no change in its fund balance for the year. It ended with a fund balance of \$0.

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

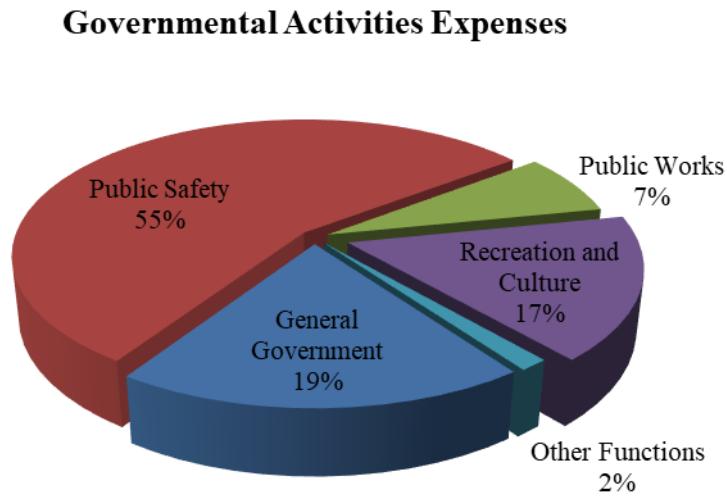
Unrestricted net position at the end of the year was \$1,545,040 for the sewer fund. The decrease in net position was \$102,244 for the sewer fund. A summary of the changes in the sewer fund net position can be found in the business-type activities paragraph found earlier in this report.

Governmental Activities

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



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



General Fund Budgetary Highlights

Original budget compared to final budget. There were no significant budget amendments to the original estimated revenues; however, there was one significant budget amendment to the original budgeted appropriations: transfers out increased from \$0 to \$103,783 as the Township separated the boat launch activity out of the general fund and into its own separate special revenue fund. there were significant budget amendments.

Final budget compared to actual results. The Township had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2023:

Function / Department	Final Budget	Actual Amount	Negative Variance
<i>General Government</i>			
Attorney	\$ 25,128	\$ 25,448	\$ (320)
<i>Public Works</i>			
Cemetery	\$ 25,147	\$ 28,287	(3,140)
Recreation and Culture			
Other Functions			
Public Safety			

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to \$8,912,328 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, machinery, equipment, vehicles, park facilities, and sewer infrastructure.

More detailed information about the Township's capital assets can be found in Note 5.

Long-term Debt

As described in Note 7 to the financial statements, the Township had \$2,205,000 in long-term debt at the end of the fiscal year. The Township is well under its legal debt limit as of year-end.

Economic Condition and Outlook

Management estimates that \$831,000 of revenues will be available for appropriation in the general fund in the upcoming year. The Township continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2024, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values.

Contacting the Township

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

The Township of Tuscarora
3546 S Straits Highway
Indian River, MI 49749

Basic Financial Statements

Township of Tuscarora
Statement of Net Position
June 30, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total		
ASSETS					
<i>Current Assets</i>					
Cash and Investments	\$ 2,340,386	\$ 35,463	\$ 2,375,849	\$ 591,980	
Accounts Receivable	--	45,073	45,073	--	
Due from Other Governments	53,134	--	53,134	31,852	
Current Portion of Special Assessments Receivable	85,471	60,931	146,402	--	
Current Portion of Lease Receivable	2,066	--	2,066	--	
Total Current Assets	2,481,057	141,467	2,622,524	623,832	
<i>Noncurrent Assets</i>					
Capital Assets not Being Depreciated	1,359,610	584,599	1,944,209	--	
Capital Assets Being Depreciated, net	1,869,196	5,098,923	6,968,119	2,747,528	
Restricted Cash - RRI	--	96,470	96,470	--	
Restricted Cash - Bond Reserve	--	--	--	19,800	
Restricted Investments - Endowment	--	--	--	17,280	
Special Assessments Receivable	91,386	1,680,197	1,771,583	--	
Lease Receivable	124,888	--	124,888	--	
Total Assets	5,926,137	7,601,656	13,527,793	3,408,440	
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	441,088	--	441,088	--	
Total Deferred Outflows of Resources	441,088	--	441,088	--	
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	17,696	11,306	29,002	7,115	
Payroll Liabilities	50,264	--	50,264	5,356	
Unearned Revenue	180,460	--	180,460	--	
Accrued Interest	3,996	7,564	11,560	12,928	
Current Portion of Long-term Debt	234,000	63,000	297,000	29,000	
Current Portion of Compensated Absences	17,270	--	17,270	--	
Total Current Liabilities	503,686	81,870	585,556	54,399	
<i>Noncurrent Liabilities</i>					
Net Pension Liability	1,108,203	--	1,108,203	--	
Compensated Absences	32,073	--	32,073	--	
Long-term Debt	242,000	1,666,000	1,908,000	1,356,000	
Total Liabilities	1,885,962	1,747,870	3,633,832	1,410,399	
DEFERRED INFLOWS OF RESOURCES					
Deferred Lease Revenue	125,798	--	125,798	--	
Pension Related	49,130	--	49,130	--	
Total Deferred Inflows of Resources	174,928	--	174,928	--	
NET POSITION					
Net Investment in Capital Assets	2,752,806	3,954,522	6,707,328	1,362,528	
<i>Restricted for:</i>					
Nonspendable Endowment	--	--	--	17,280	
Debt Service	459,299	257,754	717,053	--	
Bond Reserve	--	--	--	19,800	
Repair, Replacement, Improvement	--	96,470	96,470	--	
Police	826,850	--	826,850	--	
Fire Protection	3,874	--	3,874	--	
Lights	12,949	--	12,949	--	
Boat Launch Fees	115,348	--	115,348	--	
Capital Improvements	14	--	14	--	
Unrestricted	135,195	1,545,040	1,680,235	598,433	
Total Net Position	\$ 4,306,335	\$ 5,853,786	\$ 10,160,121	\$ 1,998,041	

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

Township of Tuscarora
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government			
						Business-type Activities	Total		
Primary Government									
Governmental Activities:									
General Government	\$ 451,766	\$ 25,348	\$ 83,775	\$ --	\$ (342,643)	\$ --	\$ (342,643)	\$ --	
Public Safety	1,292,903	88,873	198,709	--	(1,005,321)	--	(1,005,321)	--	
Public Works	167,468	75,102	--	--	(92,366)	--	(92,366)	--	
Community and Economic Development	11,139	--	--	--	(11,139)	--	(11,139)	--	
Recreation and Culture	391,609	23,528	26,186	--	(341,895)	--	(341,895)	--	
Interest on Long-term Debt	21,673	--	--	--	(21,673)	--	(21,673)	--	
Total Governmental Activities	2,336,558	212,851	308,670	--	(1,815,037)	--	(1,815,037)	--	
Business-type Activities:									
Sewer	363,939	154,964	48,700	--	--	(160,275)	(160,275)	--	
Total Business-type Activities	363,939	154,964	48,700	--	--	(160,275)	(160,275)	--	
Total Primary Government	\$ 2,700,497	\$ 367,815	\$ 357,370	\$ --	(1,815,037)	(160,275)	(1,975,312)	--	
Component Units									
Downtown Development Authority	\$ 179,071	\$ --	\$ 5,200	\$ --	--	--	--	(173,871)	
Indian River Area Library	167,822	6,364	66,179	--	--	--	--	(95,279)	
Total Component Units	\$ 346,893	\$ 6,364	\$ 71,379	\$ --	--	--	--	(269,150)	
General Purpose Revenues:									
Property Taxes				1,545,160	--	1,545,160		281,617	
Unrestricted State Revenue Sharing				331,643	--	331,643		--	
Interest Income				5,777	58,031	63,808		721	
Total General Revenues				1,882,580	58,031	1,940,611		282,338	
Change in Net Position				67,543	(102,244)	(34,701)		13,188	
Net Position at Beginning of Period (Restated, Note 11)				4,238,792	5,956,030	10,194,822		1,984,853	
Net Position at End of Period				\$ 4,306,335	\$ 5,853,786	\$ 10,160,121		\$ 1,998,041	

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

Township of Tuscarora
Balance Sheet
Governmental Funds
June 30, 2023

	<u>Special Revenue</u>		<u>Debt Service</u>		<u>Capital Projects</u>		Other Governmental Funds	Total Governmental Funds		
			2016 Special Assessment Bonds		ARPA					
	General	Police	Debt Retirement							
ASSETS										
Cash and Investments	\$ 893,931	\$ 851,368	\$ 282,442	\$ 180,460	\$ 132,185	\$ 2,340,386				
Due from Other Governments	53,134	--	--	--	--	--		53,134		
Special Assessments Receivable	--	--	176,857	--	--	--		176,857		
Lease Receivable	126,954	--	--	--	--	--		126,954		
Total Assets	\$ 1,074,019	\$ 851,368	\$ 459,299	\$ 180,460	\$ 132,185	\$ 2,697,331				
LIABILITIES										
Accounts Payable	\$ 14,816	\$ 2,880	\$ --	\$ --	\$ --	\$ 17,696				
Payroll Liabilities	28,626	21,638	--	--	--	--		50,264		
Unearned Revenue	--	--	--	180,460	--	--		180,460		
Total Liabilities	43,442	24,518	--	180,460	--	--		248,420		
DEFERRED INFLOWS OF RESOURCES										
Deferred Lease Revenue	125,798	--	--	--	--	--		125,798		
Unavailable Revenue	--	--	176,857	--	--	--		176,857		
Total Liabilities and Deferred Inflows of Resources	169,240	24,518	176,857	180,460	--	--		551,075		
FUND BALANCE										
Restricted for:										
Police	--	826,850	--	--	--	--		826,850		
Debt Service	--	--	282,442	--	--	--		282,442		
Fire Protection	--	--	--	--	--	3,874		3,874		
Lights	--	--	--	--	--	12,949		12,949		
Boat Launch Fees	--	--	--	--	--	115,348		115,348		
Capital Improvements	--	--	--	--	--	14		14		
Assigned for:										
Veteran's Pier	16,554	--	--	--	--	--		16,554		
Parks and Recreation	66,665	--	--	--	--	--		66,665		
Unassigned	821,560	--	--	--	--	--		821,560		
Total Fund Balance	904,779	826,850	282,442	--	--	132,185		2,146,256		
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,074,019	\$ 851,368	\$ 459,299	\$ 180,460	\$ 132,185	\$ 2,697,331				

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

Township of Tuscarora
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Funds	\$ 2,146,256
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, the interest expenditure is reported when due.	(3,996)
General government capital assets of \$6,745,711, net of accumulated depreciation of \$3,516,905, are not financial resources and, accordingly, are not reported in the funds.	3,228,806
Compensated absences are not due in and payable in the current period and, therefore, are not reported in the funds.	(49,343)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(476,000)
Certain pension-related amounts, such as the net pension liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.	(716,245)
Certain receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.	176,857
Total Net Position - Governmental Activities	\$ <u>4,306,335</u>

Township of Tuscarora
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

	<u>Special Revenue</u>		<u>Debt Service</u>		<u>Capital Projects</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>		
			<u>2016 Special Assessment Bonds</u>		<u>ARPA</u>					
	<u>General</u>	<u>Police</u>	<u>Debt Retirement</u>							
Revenues										
Property Taxes	\$ 368,005	\$ 1,177,155	\$ --	\$ --	\$ --	\$ --	\$ 217,610	\$ 1,545,160		
Special Assessments	--	--	101,511	--	--	--	--	319,121		
Intergovernmental	366,017	80,059	--	58,543	--	--	--	504,619		
Charges for Services	31,896	8,701	--	--	--	--	12,797	53,394		
Other	32,051	5,070	--	--	--	--	--	37,121		
Interest Income	5,439	--	338	--	--	--	--	5,777		
Total Revenues	803,408	1,270,985	101,849	58,543	230,407	230,407	2,465,192	2,465,192		
Expenditures										
General Government	378,007	--	--	29,035	--	--	--	407,042		
Public Safety	--	1,142,431	--	29,508	185,432	185,432	185,432	1,357,371		
Public Works	129,549	--	--	--	21,260	21,260	21,260	150,809		
Community and Economic Development	11,139	--	--	--	--	--	--	11,139		
Recreation and Culture	306,920	--	--	--	1,232	1,232	1,232	308,152		
Debt Service - Principal	--	--	226,000	--	--	--	--	226,000		
Debt Service - Interest	--	--	23,570	--	--	--	--	23,570		
Total Expenditures	825,615	1,142,431	249,570	58,543	207,924	207,924	207,924	2,484,083		
Excess of Revenues Over (Under) Expenditures	(22,207)	128,554	(147,721)	--	22,483	22,483	22,483	(18,891)		
Other Financing Sources (Uses)										
Sale of Capital Asset	24,272	4,900	--	--	--	--	--	29,172		
Transfers In	--	--	--	--	103,783	103,783	103,783	103,783		
Transfers Out	(103,783)	--	--	--	--	--	--	(103,783)		
Net Other Financing Sources (Uses)	(79,511)	4,900	--	--	103,783	103,783	103,783	29,172		
Net Change in Fund Balance	(101,718)	133,454	(147,721)	--	126,266	126,266	126,266	10,281		
<i>Fund Balance at Beginning of Period (Restated, Note 11)</i>	1,006,497	693,396	430,163	--	5,919	5,919	5,919	2,135,975		
Fund Balance at End of Period	\$ 904,779	\$ 826,850	\$ 282,442	\$ --	\$ 132,185	\$ 132,185	\$ 132,185	\$ 2,146,256		

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

Township of Tuscarora
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$ 10,281
Governmental fund report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is depreciation expense of \$259,345 plus a loss on disposal of \$28,829 less capital outlay additions of \$174,530.	(113,644)
Changes to accrued interest are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.	1,897
Change to compensated absences are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	(1,567)
Changes to the net pension liability and related pension deferrals are not shown in the fund financial statements.	34,839
Some receivables are long-term in nature and are collectible over several years. However, the current receipts are reflected as revenues on the fund statements.	(90,263)
Current year long-term debt principal payments on contractual obligations and bonds payable are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.	226,000
Changes in Net Position - Governmental Activities	\$ <u>67,543</u>

Township of Tuscarora
Statement of Net Position
Proprietary Fund
June 30, 2023

	Business-type Activities - Enterprise Fund
	Sewer
ASSETS	
<i>Current Assets</i>	
Cash and Investments	\$ 35,463
Accounts Receivable	45,073
Current Portion of Special Assessments Receivable	60,931
<i>Total Current Assets</i>	141,467
<i>Noncurrent Assets</i>	
Capital Assets not Being Depreciated	584,599
Capital Assets Being Depreciated, net	5,098,923
Restricted Cash - Repair, Replacement, Improvement	96,470
Special Assessments Receivable	1,680,197
<i>Total Assets</i>	7,601,656
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	11,306
Accrued Interest	7,564
Current Portion of Long-term Debt	63,000
<i>Total Current Liabilities</i>	81,870
<i>Noncurrent Liabilities</i>	
Long-term Debt	1,666,000
<i>Total Liabilities</i>	1,747,870
NET POSITION	
Net Investment in Capital Assets	3,954,522
<i>Restricted for:</i>	
Debt Service	257,754
Repair, Replacement, Improvement	96,470
<i>Unrestricted</i>	1,545,040
<i>Total Net Position</i>	\$ 5,853,786

Township of Tuscarora
Statement of Revenues, Expenses, and Change in Net Position
Proprietary Fund
For the Year Ended June 30, 2023

	Business-type Activities - <u>Enterprise Fund</u>
	Sewer
Operating Revenues	
Charges for Services	\$ 154,964
Total Operating Revenues	<u>154,964</u>
Operating Expenses	
Professional Fees	114,528
Utilities	41,114
Supplies	12,249
Repairs and Maintenance	17,713
Insurance	1,620
Depreciation	129,951
Total Operating Expenses	<u>317,175</u>
Operating Income (Loss)	<u>(162,211)</u>
Non-Operating Revenues (Expenses)	
Intergovernmental	48,700
Interest Income	58,031
Interest Expense	(46,764)
Net Non-Operating Revenues (Expenses)	<u>59,967</u>
Change In Net Position	(102,244)
<i>Net Position at Beginning of Period</i>	<i>5,956,030</i>
Net Position at End of Period	<u>\$ 5,853,786</u>

Township of Tuscarora
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2023

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Sewer</u>
Cash Flows Used by Operating Activities	
Cash Received from Customers	\$ 245,609
Cash Payments to Suppliers for Goods and Services	(185,770)
<i>Net Cash Provided by Operating Activities</i>	<u>59,839</u>
Cash Flows from Non-capital Financing Activities	
Non-operating Intergovernmental Revenue	48,700
<i>Net Cash Provided by Non-capital Financing Activities</i>	<u>48,700</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(405,981)
Principal Paid on Long-term Debt	(63,000)
Interest Paid on Long-term Debt	(47,040)
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(516,021)</u>
Cash Flows From Investing Activities	
Interest Income	58,031
<i>Net Cash Provided by Investing Activities</i>	<u>58,031</u>
<i>Net Decrease in Cash and Equivalents</i>	<u>(349,451)</u>
<i>Cash and Equivalents - Beginning of Year</i>	<u>481,384</u>
<i>Cash and Equivalents - End of Year</i>	<u>\$ 131,933</u>
Reconciliation of Operating Loss to	
Net Cash Provided by Operating Activities	
Operating Loss	\$ (162,211)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities	
Depreciation Expense	129,951
Changes in Assets and Liabilities	
Accounts Receivable	5,190
Special Assessment Receivable	85,455
Accounts Payable	1,454
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 59,839</u>
Statement of Net Position	
Cash and Cash Equivalents	\$ 35,463
Restricted Cash - Repair, Replacement, Improvement	96,470
<i>Total Cash and Cash Equivalents</i>	<u>\$ 131,933</u>

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

Township of Tuscarora
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2023

	<u>Custodial Fund</u>
	<u>Current Tax</u>
	<u>Collection</u>
ASSETS	
Cash and Investments	\$ 684
<i>Total Assets</i>	<hr/> 684
LIABILITIES	
Undistributed Collections	684
<i>Total Liabilities</i>	<hr/> 684
NET POSITION	
Restricted for Individuals, Organizations, and Other Governments	\$ --

Township of Tuscarora
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2023

	<u>Custodial Fund</u>
	<u>Current Tax Collection</u>
ADDITIONS	
Property Taxes Collected for Other Governments	\$ 8,220,788
<i>Total Additions</i>	<u>8,220,788</u>
DEDUCTIONS	
Payments of Property Taxes Collected for Other Governments	8,220,788
<i>Total Deductions</i>	<u>8,220,788</u>
<i>Net Increase (Decrease) in Net Position</i>	<u>--</u>
<i>Net Position at Beginning of Period</i>	<u>--</u>
<i>Net Position at End of Period</i>	<u>\$ --</u>

Township of Tuscarora
Combining Statement of Net Position
Component Units
June 30, 2023

	DDA	Indian River Area Library	Total Component Units
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 196,759	\$ 395,221	\$ 591,980
Due from Other Governments	--	31,852	31,852
 Total Current Assets	196,759	427,073	623,832
<i>Noncurrent Assets</i>			
Capital Assets Being Depreciated, net	2,550,152	197,376	2,747,528
Restricted Cash - Bond Reserve	19,800	--	19,800
Restricted Investments - Endowment	--	17,280	17,280
 Total Assets	2,766,711	641,729	3,408,440
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	840	6,275	7,115
Payroll Liabilities	--	5,356	5,356
Accrued Interest	12,928	--	12,928
Current Portion of Long-term Debt	29,000	--	29,000
 Total Current Liabilities	42,768	11,631	54,399
<i>Noncurrent Liabilities</i>			
Long-term Debt	1,356,000	--	1,356,000
 Total Liabilities	1,398,768	11,631	1,410,399
NET POSITION			
Net Investment in Capital Assets	1,165,152	197,376	1,362,528
<i>Restricted for:</i>			
Nonspendable Endowment	--	17,280	17,280
Bond Reserve	19,800	--	19,800
<i>Unrestricted</i>	182,991	415,442	598,433
 Total Net Position	\$ 1,367,943	\$ 630,098	\$ 1,998,041

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

Township of Tuscarora
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2023

	DDA	Indian River Area Library	Total Component Units
Expenses			
Community and Economic Development	\$ 148,097	\$ --	\$ 148,097
Recreation and Culture	--	167,822	167,822
Interest on Long-term Debt	30,974	--	30,974
Total Expenses	179,071	167,822	346,893
Program Revenues			
Charges for Services	--	6,364	6,364
Operating Grants and Contributions	5,200	66,179	71,379
Total Program Revenues	5,200	72,543	77,743
Net Program Revenues (Expenses)	(173,871)	(95,279)	(269,150)
General Revenue			
Property Taxes	97,706	183,911	281,617
Interest Income	35	686	721
Total General Revenues	97,741	184,597	282,338
Change in Net Position	(76,130)	89,318	13,188
<i>Net Position at Beginning of Period</i>	<i>1,444,073</i>	<i>540,780</i>	<i>1,984,853</i>
Net Position at End of Period	\$ 1,367,943	\$ 630,098	\$ 1,998,041

Notes to the Financial Statements

Township of Tuscarora

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of Tuscarora Township, Cheboygan County, Michigan (the “Township” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied 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

Tuscarora Township is an unincorporated Township, which operates under a Supervisor Board form of government. The Township provides the following services: public safety, highways and streets, public improvements, sewer, and general administrative services. The Township has considered all potential component units in evaluating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement 61 of the Government Accounting Standards Board (GASB), *The Financial Reporting Entity*. The basic criteria includes the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township’s financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Township. There are two component units to be included in these statements.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority, which was established pursuant to the provisions of Act 197 of 1975, as amended, is governed by the Township Supervisor and an eight-member board. The Authority may issue debt subject to the limitations set forth in the Act and is funded by a specified annual property tax capture of a portion of the Township and County levies which may only be used for activities within the downtown district. The Township also has the ability to significantly influence operations of the Downtown Development Authority. Complete financial statements for the component unit are not separately prepared.

Indian River Area Library

The Township Library, which was established pursuant to the provisions of Public Act 164 of 1877, as amended, is governed by a six-person Board of Directors elected through general elections. The Library may issue debt subject to the limitations set forth in the Act and is funded by an annual property tax levy and county penal fines. Complete financial statements for the component unit are not separately prepared.

Township of Tuscarora

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 and its component units. 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. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 and proprietary funds. 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. The fiduciary fund financial statements use the economic resources measurement focus, although the custodial funds 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 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 Township 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 accrued employee benefit expenditures are recorded only when payment is due.

Township of Tuscarora

Notes to the Financial Statements

Property taxes, intergovernmental revenue, charges for services, 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. 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 Township's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The **police fund** accounts for revenues and expenditures directly attributable to police operations. Revenue is primarily generated from property taxes.

The **2016 special assessment bonds debt retirement fund** accounts for revenues and expenditures directly attributable to the 2016 Special assessment debt. Revenue is primarily generated from special assessments.

The **ARPA fund** accounts for revenues and expenditures directly attributable to the monies received from the American Rescue Plan Act. Revenue is primarily generated from federal grants and interest income.

The Township reports the following major proprietary fund:

The **sewer fund** accounts for the cost of collecting and treating wastewater. Revenues are primarily from service charges to customers, grants, and special assessments. These revenues are also used to pay principal and interest on revenue bonds which were used to finance improvements to the system.

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 specific purposes other than debt service or capital projects.

Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

Capital project funds account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

Custodial funds are used to account for assets held on behalf of outside parties, including other governments.

Township of Tuscarora

Notes to the Financial Statements

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Township's sewer function 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 not meeting this definition are reported as nonoperating revenues and expenses.

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

Cash and Investments

The Township's 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.
- In United States government or 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.

Township of Tuscarora

Notes to the Financial Statements

- In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- In external investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Investments consist of the Township's share in an external investment pool and are reported at fair market value. This investment pool operates in a manner consistent with the Securities and Exchange Commission's Rule 2a(7) of the Investment Company Act of 1940.

Restricted Assets

Assets which are restricted for specified uses by bond debt requirements are classified as restricted assets. Liabilities payable for such restricted assets are separately classified.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts outstanding at June 30, 2023 were identified as being uncollectible.

Leases Receivable

The Township acts as a lessor for leases involving the right to use Township assets. As per GASB 87, the Township recognizes a lease receivable and a deferred inflow of resources in its government-wide and governmental fund financial statements.

Initially, the lease receivable is measured at the present value of expected lease payments over the lease term. The lease receivable is subsequently reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for prepaid lease payments received at lease inception. Over the lease term, the deferred inflow of resources is recognized as revenue.

Significant estimates and judgments involved include determining the discount rate used to present value lease receipts, determining the lease term, and estimating lease receipts. The Township utilizes its estimated incremental borrowing rate as the discount rate for leases. The lease term comprises the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable consist of fixed payments from the lessee.

The Township continually monitors changes that may necessitate a remeasurement of the lease receivable. If significant changes occur, the lease receivable will be remeasured accordingly.

Township of Tuscarora

Notes to the Financial Statements

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of five years. Such assets are valued at cost where historical records are available and at an estimated historical cost if purchased or constructed. Donated capital assets are recorded at replacement 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 asset lives are not capitalized. Major outlays of capital assets and improvement are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) of the primary government is computed using the straight-line method over the following estimated useful lives:

	Years
Land Improvements	15
Buildings and Improvements	10 - 40
Sewer Infrastructure	30 - 50
Vehicles, Machinery, and Equipment	5 - 10

The Township reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a current charge to income is recognized.

Deferred Outflows of Resources

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

The Township has one item that qualifies for reporting in this category, pension related deferred outflows. The government-wide statements report deferred outflows from the differences between plan expected and actual experience, changes in actuarial assumptions, as well as Township contributions made after the measurement date of the net pension liability.

Township of Tuscarora

Notes to the Financial Statements

Unearned Revenues

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

Pension

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

Compensated Absences

Under terms of Township policies, eligible employees are granted vacation, sick, and compensatory time in varying amounts based on length of service. Sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have maturity, for example, as a result of employee resignations and retirements.

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 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. Bond issuance costs are recognized as an expense in the period that the bond was issued.

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

Deferred Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred inflows of resources. *Deferred inflows of*

Township of Tuscarora

Notes to the Financial Statements

resources, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Township has three items that qualify for reporting in this category. The first item: a deferred inflow which arises only under a modified accrual basis of accounting. Accordingly, this item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: receivables for revenues that are not considered to be available to liquidate liabilities of the current period. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The second item: a deferred inflow related to the Township's leases receivable. This item, *deferred lease revenues*, is reported on both the statement of net position and in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The third item: a deferred inflow related to the Township's defined benefit pension plan. These items are further discussed in these notes to the financial statements.

Fund Balance Policies

Fund balance is essentially the difference between the assets and liabilities reported in governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the Township is bound to honor constraints on the specific purpose for which amounts can be spent.

1. Non-spendable fund balance (*inherently non-spendable*)
2. Restricted fund balance (*externally enforceable limitations on use*)
3. Committed fund balance (*self-imposed limitations on use*)
4. Assigned fund balance (*limitation resulting from intended use*)
5. Unassigned fund balance (*the residual classification of the general fund*)

Non-spendable and Restricted Funds - Non-spendable funds are those funds that cannot be spent because they are either (a) not in spendable form – inventories and prepaids - or (b) legally or contractually required to be maintained intact – long-term receivables.

Restricted funds are those funds that have constraints placed on their use by an external party or constitutional provisions or enabling legislations (grants, contributions, specific fee mandates). Non-spendable and Restricted Funds will be maintained and then summarized in the Township's annual financial report by the Township's financial staff.

Committed Funds - In order to commit fund balance, the Township Board, as the highest level of decision-making authority, must pass a Resolution to Commitment funds for a specific purpose. These funds must be fully expended for their committed purpose. To make committed funds uncommitted, a new resolution must be passed by the Board. Action must be taken before the last day of the fiscal year to commit funds for that year.

Township of Tuscarora

Notes to the Financial Statements

Assigned Funds - Assigned funds are amounts that are constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed. These amounts can be "assigned" by the Township Supervisor, or his/her designee.

Minimum Unassigned Fund Balance - The Township is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The goal of the Township Board shall be to maintain a minimum unassigned fund balance of no less than 50% of General Fund expenditures. For purposes of this calculation, "expenditures" will be the annual budgeted expenditures less non-recurring capital expenditures.

If unassigned fund balance approaches a level that greatly exceeds 50% of expenditures, the Township Board will consider using unassigned fund balance for the following purposes: pay down future debt, transfer funds to a Capital Projects fund for future Capital improvements, and other future obligations of the Township.

Fund balance levels will be analyzed each fiscal year after the financial statement audit.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In 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.

Township of Tuscarora

Notes to the Financial Statements

Property Tax Revenue Recognition

Property taxes are levied as of December 1 of each year and are due by February 15 of the following calendar year. Any amounts not received by February 28 are added to the County tax rolls. The Township receives 100% payment for the delinquent taxes by June 30. The Township bills and collects its own property taxes and also taxes for other governmental units. Collections of the other governmental units' taxes and remittance of them to the units are accounted for in the tax collection fund (a fiduciary fund).

The taxable value of the Township totaled \$271,663,423, on which ad valorem taxes consisted of .9757 mills for the Township's operating purposes, .01100 mills for lights, .7220 mills for the fire protection, 4.5000 mills for police protection, and .6797 mills for the operations of the Indian River Area Library.

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis for all operating funds of the Township except for the custodial fund. Budgetary control is legally maintained at the fund level. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to June 15, the Township Board reviews a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted at the Township hall to obtain public comments.
- Prior to June 30th the budget and annual appropriations act are legally adopted by the Township Board.
- Formal budget integration is employed as a management control device during the year for all budgetary funds.
- Budgetary control is exercised at the department level in the general fund, and at the total expenditure or "fund" level for the special revenue funds. Similarly, the Township's

Township of Tuscarora

Notes to the Financial Statements

"appropriation centers" are defined at the department level in the general fund and at the total expenditure or "fund" level for the special revenue funds.

- Budget transfers between appropriation centers or changes to appropriation center totals require formal amendment by the Township Board. Budgets for the current year are carefully reviewed throughout the year for any revisions of estimates. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.
- All budget appropriations lapse at the end of the year.
- Budgets as presented for the governmental funds are prepared on the modified accrual basis consistent with generally accepted accounting principles.

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 functional level in other funds.

The Township had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2023.

Fund / Function / Department	Final Budget	Actual Amount	Negative Variance
General Fund			
<i>General Government</i>			
Attorney	\$ 25,128	\$ 25,448	\$ (320)
<i>Public Works</i>			
Cemetery	25,147	28,287	(3,140)

Note 3 - Deposits and Investments

Following is a reconciliation of deposit and investments balances as of June 30, 2023:

Statement of Net Position	Governmental Activities	Business-type Activities	Primary Government	Component Units	Fiduciary Fund
Cash and Investments	\$ 2,340,386	\$ 35,463	\$ 2,375,849	\$ 591,980	\$ 684
Restricted Cash	-	96,470	96,470	19,800	-
Restricted Investments - Endowment	-	-	-	17,280	-
Total Deposits and Investments	\$ 2,340,386	\$ 131,933	\$ 2,472,319	\$ 629,060	\$ 684

Township of Tuscarora

Notes to the Financial Statements

These deposits are held in three financial institutions, both of which are located in Michigan. State policy limits the Treasurer's investing options as described in detail below. All accounts are in the name of the Township and a specific fund or common account. Deposits and investments are recorded in Township records at fair value. Interest is recorded when earned. Deposits and investments consisted of the following as of June 30, 2023:

Deposits and Investments	
Checking and Savings Accounts	\$ 2,904,137
Pooled Investments	97,887
U.S. Treasury Securities	19,729
Certificates of Deposit	80,000
Cash on Hand	310
Total Deposits and Investments	<u>\$ 3,102,063</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be returned. State law does not require, and the Township does not have, a policy for deposit custodial credit risk. As of year-end, \$2,392,374 of the Township's bank balance of \$3,340,919, was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC and NCUA insurances, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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. None of the Township's investments of \$197,616 were subject to credit risk ratings.

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. The Township's pooled investments of \$97,887 had no maturity whereas the Township's investments in U.S. Treasury Securities of \$19,729 and certificates of deposit of \$80,000 are to mature within one year.

Fair Value Measurement

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used

Township of Tuscarora

Notes to the Financial Statements

to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Township has the following recurring fair value measurements as of June 30, 2023:

- Pooled investments held at the Community Foundation of Northeast Michigan, with a balance of \$97,887 are valued using Level 2 inputs.
- U.S. Treasury Securities of \$19,729 and certificates of deposit of \$80,000 held at a brokerage account are valued using Level 1 inputs.

Restricted Cash

A portion of the restricted cash in the sewer fund is required by the United States Department of Agriculture - Rural Development (the “USDA”) to be maintained at levels consistent with the Township’s bond agreements. Repair, Replacement, and Improvement account funds may be used for the repair, replacement, and improvement of the Township’s sewer system. Restricted cash related to USDA bonds consists of the following:

	<u>June 30, 2023</u>		<u>June 30, 2022</u>	
	<u>Required Balance</u>	<u>Actual Balance</u>	<u>Required Balance</u>	<u>Actual Balance</u>
Business-type Activities				
<i>Repair, Replacement, and Improvement Account</i>				
2014 Issue, \$10,693 per year	\$ 96,340	\$ 96,470	\$ 85,647	\$ 85,647
Component Unit Activities				
<i>Bond Reserve Account</i>				
2020 Issue, \$6,600 per year up to \$66,000	\$ 19,800	\$ 19,800	\$ 13,200	\$ 13,200

The variance from required balance to actual is due to the timing of expenses expended from that account that have been authorized by the USDA.

Note 4 - Leases Receivable

As of June 30, 2023, the Township is reporting total lease receivables of \$126,954 and related deferred inflows of resources of \$125,798. For the fiscal year ended June 30, 2023, the Township reported lease revenue of \$478 and interest revenue of \$2,753 related to lease payments received.

Airport Hangar Leases

The Township’s airport leases hangar space to various customers with lease maturities ranging from one to ten years from the end of the Township’s 2023-year end when considering all possible

Township of Tuscarora

Notes to the Financial Statements

extensions. Annual and monthly payments will be collected over the durations of those leases' agreements. The Township is anticipating all leases to see the execution of their extension options leading to payments of varying dollar amounts being collected through 2047.

Note 5 - Capital Assets

Capital asset activity for governmental activities during the year was as follows:

Governmental Activities	Beginning Balance	Additions	Disposals / Transfers	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 1,383,282	\$ 600	\$ (24,272)	\$ 1,359,610
Capital Assets being Depreciated				
Land Improvements	2,643,467	71,057	-	2,714,524
Buildings and Improvements	1,911,505	-	(5,000)	1,906,505
Vehicles	218,679	61,785	(37,808)	242,656
Equipment	517,626	41,088	(36,298)	522,416
Subtotal	5,291,277	173,930	(79,106)	5,386,101
Less Accumulated Depreciation				
Land Improvements	(1,856,126)	(123,189)	-	(1,979,315)
Buildings and Improvements	(1,038,258)	(66,373)	3,000	(1,101,631)
Vehicles	(99,260)	(38,024)	35,251	(102,033)
Equipment	(338,465)	(31,759)	36,298	(333,926)
Subtotal	(3,332,109)	(259,345)	74,549	(3,516,905)
Capital Assets being Depreciated, net	1,959,168	(85,415)	(4,557)	1,869,196
Capital Assets, Governmental Activities	\$ 3,342,450	\$ (84,815)	\$ (28,829)	\$ 3,228,806

Capital asset activity for business-type activities during the year was as follows:

Business-type Activities	Beginning Balance	Additions	Disposals / Transfers	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 178,618	\$ -	\$ -	\$ 178,618
Construction in Progress	-	405,981	-	405,981
Subtotal	178,618	405,981	-	584,599
Capital Assets being Depreciated				
Sewer System	5,945,091	-	-	5,945,091
Machinery and Equipment	58,660	-	-	58,660
Subtotal	6,003,751	-	-	6,003,751
Less Accumulated Depreciation				
Sewer System	(749,606)	(124,999)	-	(874,605)
Machinery and Equipment	(25,271)	(4,952)	-	(30,223)
Subtotal	(774,877)	(129,951)	-	(904,828)
Capital Assets being Depreciated, net	5,228,874	(129,951)	-	5,098,923
Capital Assets, Business-type Activities	\$ 5,407,492	\$ 276,030	\$ -	\$ 5,683,522

Township of Tuscarora

Notes to the Financial Statements

Capital asset activity for component unit activities during the year was as follows:

Component Unit - Downtown Development Authority	Beginning Balance	Additions	Disposals / Transfers	Ending Balance
Capital Assets not being Depreciated				
Construction in Progress	\$ 2,070,575	\$ -	\$ (2,070,575)	\$ -
Capital Assets being Depreciated				
Land Improvements	737,067	66,498	2,070,575	2,874,140
Equipment	-	7,225	-	7,225
Subtotal	<u>737,067</u>	<u>73,723</u>	<u>2,070,575</u>	<u>2,881,365</u>
Less Accumulated Depreciation				
Land Improvements	(196,367)	(133,900)	-	(330,267)
Equipment	-	(946)	-	(946)
Subtotal	<u>(196,367)</u>	<u>(134,846)</u>	<u>-</u>	<u>(331,213)</u>
Capital Assets being Depreciated, net	<u>540,700</u>	<u>(61,123)</u>	<u>2,070,575</u>	<u>2,550,152</u>
Capital Assets, DDA	<u>\$ 2,611,275</u>	<u>\$ (61,123)</u>	<u>\$ -</u>	<u>\$ 2,550,152</u>

Component Unit - Indian River Area Library	Beginning Balance	Additions	Disposals / Transfers	Ending Balance
Capital Assets being Depreciated				
Books and Periodicals	\$ 266,770	\$ 46,532	\$ (125,218)	\$ 188,084
Buildings and Improvements	74,113	-	-	74,113
Equipment	188,887	5,535	23,574	217,996
Subtotal	<u>529,770</u>	<u>52,067</u>	<u>(101,644)</u>	<u>480,193</u>
Less Accumulated Depreciation				
Books and Periodicals	(191,974)	(16,473)	110,177	(98,270)
Buildings and Improvements	(25,412)	(6,126)	(6,126)	(37,664)
Equipment	(137,318)	(5,287)	(4,278)	(146,883)
Subtotal	<u>(354,704)</u>	<u>(27,886)</u>	<u>99,773</u>	<u>(282,817)</u>
Capital Assets, Indian River Area Library	<u>\$ 175,066</u>	<u>\$ 24,181</u>	<u>\$ (1,871)</u>	<u>\$ 197,376</u>

Depreciation expense was charged to functions of the Township as follows:

Primary Government		
Governmental Activities		
General Government	\$ 52,524	
Public Safety	43,704	
Public Works	28,609	
Recreation and Culture	134,508	Business-type Activities
Total	<u>\$ 259,345</u>	Sewer Fund
		<u>\$ 129,951</u>

Discretely Presented Component Units			
Tuscarora Township DDA		Indian River Area Library	
Community and Economic Development	<u>\$ 134,846</u>	Recreation and Culture	<u>\$ 27,886</u>

Township of Tuscarora

Notes to the Financial Statements

Note 6 - Interfund Transactions

Interfund transfers for the year ended June 30, 2023 consisted of transfers in of \$103,783 from the general fund to the boat launch fund in order to fund the new fund in the current year as the boat launch activity used to be a department within the general fund. These monies were restricted boat launch funds in the general fund in the prior year.

Note 7 - Long-term Debt

Detailed Long-term Obligations Disclosures

Wahbee and Chippewa 2020 Special Assessment Bond (Direct Placement) – \$1,124,000 Limited Tax General Obligation Bond, dated August 27, 2020, for the purpose of construction within the Township. The bond bears interest at 3.358% and are due in semi-annual installments through April 1, 2025. The full faith and credit of the Township have been pledged for the prompt payment of the principal of and interest on this bond.

Sewer 2014 Special Assessment Bond (Direct Placement) – \$2,411,000 Limited Tax General Obligation Bond, dated March 19, 2014, for the purpose of sewer construction within the Township. The bond bears interest at 2.625% and are due in semi-annual installments through September 1, 2052. The full faith and credit of the Township have been pledged for the prompt payment of the principal of and interest on this bond.

Tax Increment Revenue Bonds, Series 2020 (Direct Placement) – \$1,750,000 Tax Increment Revenue Bonds, dated August 26, 2021, for the purpose of acquisition, construction, finishing, and equipping of certain public improvements in the development area as described in the Township's development and tax increment financing plan, as amended, consisting generally of streetscape improvements. The bonds bear interest at 2.25% and are due in semi-annual installments through August 1, 2060. The full faith and credit of the Township have been pledged for the prompt payment of the principal of and interest on these bonds.

Township of Tuscarora

Notes to the Financial Statements

The following schedule summarizes the changes in the Township's long-term obligations during the year:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
<i>Direct Placement</i>					
Wahbee and Chippewa 2020 Special Assessment Bond	\$ 702,000	\$ -	\$ (226,000)	\$ 476,000	\$ 234,000
Compensated Absences	47,776	1,567	-	49,343	17,270
<i>Total Governmental Activities</i>	<u>749,776</u>	<u>1,567</u>	<u>(226,000)</u>	<u>525,343</u>	<u>251,270</u>
Business-type Activities:					
<i>Direct Placement</i>					
Sewer 2014 Special Assessment Bond	1,792,000	-	(63,000)	1,729,000	63,000
<i>Total Business-type Activities</i>	<u>1,792,000</u>	<u>-</u>	<u>(63,000)</u>	<u>1,729,000</u>	<u>63,000</u>
<i>Total Primary Government Long-term Obligations</i>	<u>\$ 2,541,776</u>	<u>\$ 1,567</u>	<u>\$ (289,000)</u>	<u>\$ 2,254,343</u>	<u>\$ 314,270</u>
Component Unit - Downtown Development Authority					
<i>Direct Placement</i>					
Tax Increment Revenue Bond, Series 2020A (Taxable)	\$ 1,034,000	\$ 34,000	\$ (22,000)	\$ 1,046,000	\$ 23,000
Tax Increment Revenue Bond, Series 2020B (Taxable)	345,000	-	(6,000)	339,000	6,000
<i>Total Component Units Long-term Debt</i>	<u>\$ 1,379,000</u>	<u>\$ 34,000</u>	<u>\$ (28,000)</u>	<u>\$ 1,385,000</u>	<u>\$ 29,000</u>

The following schedule summarizes long-term debt annual maturities:

Year Ending	Governmental Activities			
	June 30,	Principal	Interest	Total
2024	\$ 234,000	\$ 15,982	\$ 249,982	
2025	242,000	8,125	250,125	
Totals	\$ 476,000	\$ 24,107	\$ 500,107	
Year Ending	Business-type Activities			
	June 30,	Principal	Interest	Total
2024	\$ 63,000	\$ 50,059	\$ 113,059	
2025	63,000	48,405	111,405	
2026	60,000	46,830	106,830	
2027	62,000	45,203	107,203	
2028	63,000	43,549	106,549	
2029-2033	315,000	192,938	507,938	
2034-2038	317,000	151,515	468,515	
2039-2043	320,000	109,594	429,594	
2044-2048	321,000	67,568	388,568	
2049-2051	145,000	21,473	166,473	
Totals	\$ 1,729,000	\$ 777,134	\$ 2,506,134	

Township of Tuscarora

Notes to the Financial Statements

Year Ending June 30,	Component Unit - DDA*		
	Principal	Interest	Total
2024	\$ 29,000	\$ 37,485	\$ 66,485
2025	29,000	36,833	65,833
2026	30,000	36,158	66,158
2027	31,000	35,460	66,460
2028	31,000	34,763	65,763
2029-2033	168,000	162,630	330,630
2034-2038	187,000	142,493	329,493
2039-2043	209,000	119,993	328,993
2044-2048	234,000	94,793	328,793
2049-2053	262,000	66,645	328,645
2054-2058	293,000	35,078	328,078
2059-2061	192,000	4,410	196,410
Totals	\$ 1,695,000	\$ 806,741	\$ 2,501,741

*As of June 30, 2023, the Township still has \$310,000 available to draw from the Tax Increment Revenue Bond, Series 2020A. As such, the long-term obligations schedule excludes such principal repayments and repayment schedules will be established when the project and bond amounts are finalized.

Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees, and natural disasters. The Township has purchased commercial insurance for most risks of loss to which it is exposed. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. There were no significant changes in coverage during the fiscal year.

Note 9 - Defined Benefit Pension Plan

Plan Description

Benefits Provided

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. Public Act 427 of

Township of Tuscarora

Notes to the Financial Statements

1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Retirement benefits for employees are calculated as follows:

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
Police	2.50%	80%	5	60	55/20	50/25 or 55/15	10

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Township Board of Trustees, generally after negotiations of these terms with the affected unions.

Employees Covered by Benefit Terms

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	5
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	1
Active Plan Members	9
Total Employees Covered by MERS	<u>15</u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

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

Division	Employer Contributions	Employee Contributions
Police	26.53%	0.00%

Township of Tuscarora

Notes to the Financial Statements

Net Pension Liability

The net pension liability reported at June 30, 2023 was determined using a measure of the total pension liability and the pension net position as of December 31, 2022. The December 31, 2022 total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2021	\$ 3,381,914	\$ 2,584,703	\$ 797,211
Service Cost	81,253	-	81,253
Interest on Total Pension Liability	243,925	-	243,925
Differences Between Expected and Actual Experience	15,721	-	15,721
Contributions - Employer	-	298,690	(298,690)
Net Investment Income (Loss)	-	(263,862)	263,862
Benefit Payments, Including Refunds	(116,110)	(116,110)	-
Administrative Expenses	-	(4,921)	4,921
<i>Net Changes</i>	<i>224,789</i>	<i>(86,203)</i>	<i>310,992</i>
Balance at December 31, 2022	\$ 3,606,703	\$ 2,498,500	\$ 1,108,203

Net pension liabilities are generally liquidated by the general and police fund within governmental activities.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the Township recognized pension expense of \$213,568. At June 30, 2023, the Township reported deferred outflows/inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 216,563	\$ -
Net Difference in Experience	12,577	49,130
Net Difference in Assumptions	97,068	-
Employer Contributions to the Plan Subsequent to the Measurement Date *	114,880	-
Totals	\$ 441,088	\$ 49,130

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2024.

Township of Tuscarora

Notes to the Financial Statements

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

Year Ended	
June 30,	Amount
2024	\$ 36,367
2025	57,233
2026	88,795
2027	94,683

Actuarial Assumptions

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

Inflation: 2.50%

Salary Increases: 3.00% plus merit and longevity: 3.00% in the long-term

Investment Rate of Return: 7.00%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 3.00-4.00%.

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

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

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

Township of Tuscarora

Notes to the Financial Statements

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Gross Return	Long-term Expected Gross Return Contribution	Inflation Assumption	Long-term Expected Real Rate of Return
Global Equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.40%
Totals	100.00%		7.00%		4.50%

Discount Rate

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

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

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

Net Pension Liability of the Township	Current		
	1% Decrease	Discount Rate	1% Increase
	(6.25%)	(7.25%)	(8.25%)
Net Pension Liability of the Township	\$ 1,566,652	\$ 1,108,203	\$ 723,222

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued plan financial statements.

The Township has a \$11,442 payable to the plan as of June 30, 2023.

Township of Tuscarora

Notes to the Financial Statements

Note 10 - Subsequent Events

The Board is currently working to determine how to utilize an estimated \$180,460 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 - Prior Period Adjustment

During the fiscal year June 30, 2023, the Township had to post a prior period adjustment in order to correct special assessment receivables and deferred inflows of resources. The correction to special assessments receivables and deferred inflows of resources had no effect on the governmental funds' fund balance but had the following effect on net position:

	Governmental Activities	Primary Government
Net Position as of June 30, 2022, as Reported	\$ 4,925,533	\$ 10,881,563
Adjustment to Special Assessments Related Items	(686,741)	(686,741)
Net Position as of June 30, 2022, as Restated	\$ 4,238,792	\$ 10,194,822

Required Supplementary Information

Township of Tuscarora
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
				Final to Actual
Revenues				
Property Taxes	\$ 396,382	\$ 396,382	\$ 368,005	\$ (28,377)
Intergovernmental	355,895	355,895	366,017	10,122
Charges for Services	21,900	21,900	31,896	9,996
Other	11,300	11,300	32,051	20,751
Interest Income	--	--	5,439	5,439
Total Revenues	785,477	785,477	803,408	17,931
Other Financing Sources				
Sale of Capital Asset	5,000	5,000	24,272	19,272
Total Revenues and Other Financing Sources	790,477	790,477	827,680	37,203
Expenditures				
General Government				
Township Board	101,080	139,334	125,221	14,113
Supervisor	30,265	30,265	28,247	2,018
Contingency	20,000	2,385	2,218	167
Clerk	46,473	42,344	40,324	2,020
Audit	6,000	6,000	3,364	2,636
Board of Review	2,435	2,435	1,694	741
Treasurer	45,592	43,038	39,110	3,928
Assessor	101,818	86,818	69,630	17,188
Elections	15,100	26,600	25,702	898
Building and Grounds	21,500	21,615	17,049	4,566
Attorney	12,000	25,128	25,448	(320)
Total General Government	402,263	425,962	378,007	47,955
Public Works				
Roads	165,000	165,000	87,525	77,475
Sanitation	2,000	2,000	1,468	532
Airport	13,250	13,250	12,269	981
Cemetery	30,147	25,147	28,287	(3,140)
Total Public Works	210,397	205,397	129,549	75,848
Community and Economic Development				
Planning	26,750	16,750	11,139	5,611
Recreation and Culture				
Parks and Recreation	355,400	355,400	306,669	48,731
Veterans Pier	1,250	1,250	251	999
Total Recreation and Culture	356,650	356,650	306,920	49,730
Total Expenditures	996,060	1,004,760	825,615	179,145
Other Financing Uses				
Transfers Out	--	103,783	103,783	--
Total Expenditures and Other Financing Uses	996,060	1,108,543	929,398	179,145
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses				
Net Change in Fund Balance	(205,583)	(318,066)	(101,718)	216,348
Fund Balance at Beginning of Period	1,006,497	1,006,497	1,006,497	--
Fund Balance at End of Period	\$ 800,914	\$ 688,431	\$ 904,779	\$ 216,348

Township of Tuscarora
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Police
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ 1,181,592	\$ 1,181,592	\$ 1,177,155	\$ (4,437)
Intergovernmental	77,628	77,628	80,059	2,431
Charges for Services	9,573	9,573	8,701	(872)
Other	--	--	5,070	5,070
Interest Income	500	500	--	(500)
Total Revenues	1,269,293	1,269,293	1,270,985	1,692
Other Financing Sources				
Sale of Capital Asset	--	--	4,900	4,900
Total Revenues and Other Financing Sources	1,269,293	1,269,293	1,275,885	6,592
Expenditures				
Public Safety				
Police	1,212,836	1,217,836	1,142,431	75,405
Total Expenditures	1,212,836	1,217,836	1,142,431	75,405
Excess (Deficiency) of Revenues and Other Sources Over Expenditures				
Net Change in Fund Balance	56,457	51,457	133,454	81,997
Fund Balance at Beginning of Period	693,396	693,396	693,396	--
Fund Balance at End of Period	\$ 749,853	\$ 744,853	\$ 826,850	\$ 81,997

Township of Tuscarora
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Nine Plan Years *

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	\$ 81,253	\$ 72,855	\$ 61,954	\$ 60,668	\$ 58,652	\$ 51,118	\$ 70,378	\$ 66,338	\$ 64,795
Interest on Total Pension Liability	243,925	231,313	214,240	205,577	193,121	181,306	207,567	186,965	172,980
Changes in Benefit Terms	-	-	-	-	-	-	(409,343)	-	-
Differences Between Expected and Actual Experience	15,721	(25,946)	(70,459)	(17,990)	(10,676)	(3,609)	(103,865)	21,040	-
Changes in Assumptions **	-	142,317	102,416	87,087	-	-	-	133,816	-
Benefit Payments, Including Refunds	(116,110)	(91,572)	(86,354)	(87,166)	(85,645)	(84,124)	(82,603)	(81,082)	(56,969)
Net Change in Pension Liability	224,789	328,967	221,797	248,176	155,452	144,691	(317,866)	327,077	180,806
Total Pension Liability - Beginning	3,381,914	3,052,947	2,831,150	2,582,974	2,427,522	2,282,831	2,600,697	2,273,620	2,092,814
Total Pension Liability - Ending (a)	\$ 3,606,703	\$ 3,381,914	\$ 3,052,947	\$ 2,831,150	\$ 2,582,974	\$ 2,427,522	\$ 2,282,831	\$ 2,600,697	\$ 2,273,620
Plan Fiduciary Net Position									
Contributions - Employer	\$ 298,690	\$ 156,515	\$ 120,877	\$ 113,787	\$ 100,545	\$ 92,739	\$ 86,165	\$ 91,211	\$ 93,992
Contributions - Member	-	-	-	-	-	-	5,905	15,816	14,615
Net Investment Income (Loss)	(263,862)	315,916	255,048	229,342	(69,019)	202,446	156,459	(20,972)	79,029
Benefit Payments, Including Refunds	(116,110)	(91,572)	(86,354)	(87,166)	(85,645)	(84,124)	(82,603)	(81,082)	(56,969)
Administrative Expenses	(4,921)	(3,625)	(3,924)	(3,952)	(3,378)	(3,200)	(3,084)	(3,002)	(2,925)
Net Change in Plan Fiduciary Net Position	(86,203)	377,234	285,647	252,011	(57,497)	207,861	162,842	1,971	127,742
Plan Fiduciary Net Position - Beginning	2,584,703	2,207,469	1,921,822	1,669,811	1,727,308	1,519,447	1,356,605	1,354,634	1,226,892
Plan Fiduciary Net Position - Ending (b)	\$ 2,498,500	\$ 2,584,703	\$ 2,207,469	\$ 1,921,822	\$ 1,669,811	\$ 1,727,308	\$ 1,519,447	\$ 1,356,605	\$ 1,354,634
Net Pension Liability - Ending (a) - (b)	\$ 1,108,203	\$ 797,211	\$ 845,478	\$ 909,328	\$ 913,163	\$ 700,214	\$ 763,384	\$ 1,244,092	\$ 918,986
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.3%	76.4%	72.3%	67.9%	64.6%	71.2%	66.6%	52.2%	59.6%
Covered Payroll	\$ 590,931	\$ 572,311	\$ 569,954	\$ 562,258	\$ 545,997	\$ 467,843	\$ 465,158	\$ 451,893	\$ 441,383
Net Pension Liability as a Percentage of Covered Payroll	187.5%	139.3%	148.3%	161.7%	167.2%	149.7%	164.1%	275.3%	208.2%

Notes to Schedule:

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

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

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

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

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

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

2022 valuation - The investment rate of return assumption was reduced from 7.25% to 7.00%.

Township of Tuscarora
Required Supplementary Information
Schedule of Contributions
Last Nine Fiscal Years *

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 155,407	\$ 137,913	\$ 123,172	\$ 113,787	\$ 100,545	\$ 92,739	\$ 86,165	\$ 61,855	\$ 93,992
Contributions in Relation to the Actuarially Determined Contribution	<u>248,407</u>	<u>237,913</u>	<u>123,172</u>	<u>113,787</u>	<u>100,545</u>	<u>92,739</u>	<u>86,165</u>	<u>61,855</u>	<u>93,992</u>
Contribution Deficiency (Excess)	\$ (93,000)	\$ (100,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 585,778	\$ 571,069	\$ 572,894	\$ 562,258	\$ 545,997	\$ 467,843	\$ 465,158	\$ 451,893	\$ 441,383
Contributions as a Percentage of Covered Payroll	42.4%	41.7%	21.5%	20.2%	18.4%	19.8%	18.5%	13.7%	21.3%

Notes

Valuation Date

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

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry-age Normal
Amortization Method	Level Percentage of Pay, Open
Remaining Amortization Period	16 years
Asset Valuation Method	5 Years; Smoothed
Inflation	2.50%
Salary Increases	3.00% in the Long-term
Investment Rate of Return	7.00%, Net of Investment Expense, including Inflation
Retirement Age	Experience-based Tables of Rates that are Specific to the Type of Eligibility Condition
Mortality	Pub-2010 and Fully Generational MP-2019

* Built prospectively upon implementation on GASB 68

Combining and Individual Fund Statements and Schedules

Township of Tuscarora
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds	
	Street Lighting	Fire Fund	Boat Launch	Road Capital Projects			
ASSETS							
Cash and Investments	\$ 12,949	\$ 3,874	\$ 115,348	\$ 14	\$ 14	\$ 132,185	
<i>Total Assets</i>	\$ 12,949	\$ 3,874	\$ 115,348	\$ 14	\$ 14	\$ 132,185	
LIABILITIES							
<i>Total Liabilities</i>	--	--	--	--	--	--	
FUND BALANCE							
Restricted	12,949	3,874	115,348	14	14	132,185	
Unassigned	--	--	--	--	--	--	
<i>Total Fund Balance</i>	12,949	3,874	115,348	14	14	132,185	
Total Liabilities and Fund Balance	\$ 12,949	\$ 3,874	\$ 115,348	\$ 14	\$ 14	\$ 132,185	

Township of Tuscarora
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Street Lighting	Fire Fund	Boat Launch	Road Capital Projects		
Revenues						
Special Assessments	\$ 28,758	\$ 188,852	\$ --	\$ --	\$ 217,610	
Charges for Services	--	--	12,797	--	--	12,797
Total Revenues	28,758	188,852	12,797	--	--	230,407
Expenditures						
Public Safety	--	185,432	--	--	--	185,432
Public Works	21,260	--	--	--	--	21,260
Recreation and Culture	--	--	1,232	--	--	1,232
Total Expenditures	21,260	185,432	1,232	--	--	207,924
Excess of Revenues Over (Under) Expenditures	7,498	3,420	11,565	--	--	22,483
Other Financing Sources						
Transfers In	--	--	103,783	--	--	103,783
Net Other Financing Sources	--	--	103,783	--	--	103,783
Net Change in Fund Balance	7,498	3,420	115,348	--	--	126,266
<i>Fund Balance at Beginning of Period</i>	<i>5,451</i>	<i>454</i>	<i>--</i>	<i>14</i>	<i>--</i>	<i>5,919</i>
Fund Balance at End of Period	\$ 12,949	\$ 3,874	\$ 115,348	\$ 14	\$ 14	\$ 132,185

Indian River Area Library
Statement of Net Position
June 30, 2023

Governmental Activities	
ASSETS	
<i>Current Assets</i>	
Cash and Investments	\$ 395,221
Due from Other Governments	<u>31,852</u>
Total Current Assets	427,073
<i>Noncurrent Assets</i>	
Capital Assets being Depreciated, Net	197,376
Restricted Investments - Endowment	<u>17,280</u>
Total Assets	641,729
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	6,275
Payroll Liabilities	<u>5,356</u>
Total Liabilities	11,631
NET POSITION	
Investment in Capital Assets	197,376
<i>Restricted for:</i>	
Nonspendable - Endowment	17,280
<i>Unrestricted</i>	<u>415,442</u>
Total Net Position	\$ 630,098

Indian River Area Library
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Recreation and Culture	\$ 167,822	\$ 6,364	\$ 8,190	\$ --	\$ (153,268)
Total Governmental Activities	\$ 167,822	\$ 6,364	\$ 8,190	\$ --	\$ (153,268)
 General Purpose Revenues:					
Property Taxes					183,911
Unrestricted State Sources					4,673
Penal Fines					53,316
Interest Income					686
Total General Revenues					242,586
Change in Net Position					89,318
<i>Net Position at Beginning of Period</i>					540,780
Net Position at End of Period					\$ 630,098

Indian River Area Library
Balance Sheet
Governmental Fund
June 30, 2023

	General
ASSETS	
Cash and Investments	\$ 395,221
Due from Other Governments	31,852
Restricted Investments - Endowment	17,280
Total Assets	\$ 444,353
LIABILITIES	
Accounts Payable	\$ 6,275
Payroll Liabilities	5,356
Total Liabilities	11,631
FUND BALANCE	
Nonspendable	17,280
Unassigned	415,442
Total Fund Balance	432,722
Total Liabilities and Fund Balance	\$ 444,353

Indian River Area Library
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Fund	\$ 432,722
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This represents capital assets of \$480,193, net of accumulated depreciation of \$282,817.	197,376
Total Net Position - Governmental Activities	\$ 630,098

Indian River Area Library
Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund
For the Year Ended June 30, 2023

	General
Revenues	
Property Taxes	\$ 183,911
Penal Fines	53,316
State Sources	4,673
Grants and Contributions	6,540
Charges for Services	5,568
Fines	977
Interest Income	686
Other Revenues	1,469
Total Revenues	257,140
Expenditures	
Salaries and Wages	99,740
Fringe Benefits	1,684
Postage	4,337
Supplies	32,022
Repairs and Maintenance	3,713
Utilities	11,644
Contracted Services	10,345
Printing and Publishing	10,143
Telephone	3,176
Other Expenditures	13,328
Total Expenditures	190,132
Excess of Revenues Over (Under) Expenditures	67,008
Net Change in Fund Balance	67,008
<i>Fund Balance at Beginning of Period</i>	365,714
Fund Balance at End of Period	\$ 432,722

Indian River Area Library
Reconciliation of Governmental Fund Statement of Revenues, Expenditures, and
Change in Fund Balance with Statement of Activities
For the Year Ended June 30, 2023

Total Net Change in Fund Balance - Governmental Fund	\$ 67,008
--	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives as depreciation expense. This is the amount by which current year capital asset additions of \$52,067 exceeds depreciation expense of \$27,886 and a loss on disposal of \$1,871.

22,310

Changes in Net Position - Governmental Activities	\$ <u>89,318</u>
--	-------------------------

Tuscarora DDA
Statement of Net Position
June 30, 2023

ASSETS

Current Assets

Cash and Investments	\$ 196,759
Total Current Assets	196,759

Noncurrent Assets

Restricted Cash - Bond Reserve	19,800
Capital Assets being Depreciated, Net	2,550,152
Total Assets	2,766,711

LIABILITIES

Current Liabilities

Accounts Payable	840
Interest Payable	12,928
Current Portion of Long-term Debt	29,000
Total Current Liabilities	42,768

Noncurrent Liabilities

Long-term Debt	1,356,000
Total Liabilities	1,398,768

NET POSITION

Net Investment in Capital Assets	1,165,152
----------------------------------	-----------

Restricted for:

Bond Reserve	19,800
Total Net Position	\$ 1,367,943

Tuscarora DDA
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Community and Economic Development	\$ 148,097	\$ --	\$ 5,200	\$ --	\$ (142,897)
Interest on Long-term Debt	30,974	--	--	--	(30,974)
Total	\$ 179,071	\$ --	\$ 5,200	\$ --	(173,871)
 General Purpose Revenues:					
Property Taxes					97,706
Interest Income					35
Total General Revenues					97,741
Change in Net Position					
<i>Net Position at Beginning of Period</i>					1,444,073
Net Position at End of Period					\$ 1,367,943

Tuscarora DDA
Balance Sheet
Governmental Fund
June 30, 2023

	General
ASSETS	
Cash and Cash Equivalents	\$ 196,759
Restricted Cash - Bond Reserve	19,800
<i>Total Assets</i>	<i>\$ 216,559</i>
LIABILITIES	
Accounts Payable	\$ 840
<i>Total Liabilities</i>	<i>840</i>
FUND BALANCE	
Restricted	19,800
Unassigned	195,919
<i>Total Fund Balance</i>	<i>215,719</i>
<i>Total Liabilities and Fund Balance</i>	<i>\$ 216,559</i>

Tuscarora DDA
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Fund	\$ 215,719
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This represents capital assets with a cost of \$2,881,365, net of accumulated depreciation of \$331,213.	2,550,152
Certain liabilities, such as bonds payable, are not due the current period and, therefore, are not reported in the funds.	(1,385,000)
Interest is recorded as an expense when incurred in the government-wide financial statements. However, it is not a current obligation and, accordingly, is reported as an expenditure when paid in the fund financial statements. This represents accrued interest as of year-end.	(12,928)
Total Net Position - Governmental Activities	\$ 1,367,943

Tuscarora DDA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2023

	General
Revenues	
Property Taxes	\$ 97,706
Other Revenues	5,200
Interest Income	35
<i>Total Revenues</i>	<u>102,941</u>
Expenditures	
Community and Economic Development	86,974
Debt Service, Principal	28,000
Debt Service, Interest	30,444
<i>Total Expenditures</i>	<u>145,418</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(42,477)</u>
Other Financing Sources (Uses)	
Bond Proceeds	34,000
<i>Net Other Financing Sources (Uses)</i>	<u>34,000</u>
<i>Net Change in Fund Balance</i>	<u>(8,477)</u>
<i>Fund Balance at Beginning of Period</i>	224,196
<i>Fund Balance at End of Period</i>	<u>\$ 215,719</u>

Tuscarora DDA
Reconciliation of Governmental Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Fund	\$ (8,477)
Repayment of debt principal is an expenditure in the fund financial statements, but the repayment reduces long-term liabilities in the statement of net position.	28,000
Bond proceeds are recognized as revenues on the governmental fund statements but are shown as an increase in long-term debt on the government-wide financial statements.	(34,000)
Interest is recorded as an expense when incurred in the government-wide financial statements. However, it is not a current obligation and, accordingly, is reported as an expenditure when paid in the fund financial statements. This represents the change in accrued interest during the year.	(530)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense of \$134,846 exceeded capital outlay additions of \$73,723 during the year.	(61,123)
Changes in Net Position - Governmental Activities	\$ <u>(76,130)</u>



Heart of the Inland Waterway

**TOWNSHIP OF TUSCARORA, MICHIGAN
SINGLE AUDIT ACT COMPLIANCE
YEAR ENDED JUNE 30, 2023**

Township of Tuscarora
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program	Assistance Listing Number	Federal Expenditures
U.S. Department of Agriculture (direct funding)		
Community Facilities Loan and Grants:		
Loan Balance - Series 2020B (Taxable)	10.766	\$ 345,000
Loan Balance - Series 2020A (Taxable)	10.766	1,034,000
Loan Proceeds - Series 2020A (Taxable)	10.766	34,000
Total U.S. Department of Agriculture		<u>1,413,000</u>
U.S. Department of Treasury (direct funding)		
COVID-19 State and Local Fiscal Recovery Fund (CSLFRF):		
American Rescue Plan Act	21.027	58,543
Total U.S. Department of Treasury		<u>58,543</u>
Total Expenditures of Federal Awards		<u>\$ 1,471,543</u>

See Notes to the Schedule of Expenditures of Federal Awards

Township of Tuscarora

Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Township of Tuscarora (the “Township”) under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Township, it is not intended to and does not present the financial position, changes in net position or cash flows of the Township.

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Township's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The Township's reporting entity is defined in Note 1 of the Township's audited financial statements.

For purposes of charging indirect costs to federal awards, the Township has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

The Township does not have any subrecipients.

NOTE 2 - FEDERAL PROGRAM LOANS

The Township had outstanding federal loan balances as of June 30, 2023 as follows:

	Balance as of June 30, 2023
Water and Waste Disposal Systems for Rural Communities Bonds, 2014	\$ 1,729,000
Tax Increment Revenue Bond, Series 2020B	339,000
Tax Increment Revenue Bond, Series 2020A	1,046,000
Total	<u>\$ 3,114,000</u>

Township of Tuscarora

Notes to the Schedule of Expenditures of Federal Awards

NOTE 3 - RECONCILIATION OF REVENUE REPORTED IN THE FINANCIAL STATEMENTS

The following schedule reconciles intergovernmental revenues from the financial statements to the federal expenditures reported in the Schedule:

State and federal sources reported in the governmental funds

Governmental funds, intergovernmental sources	\$ 504,619
Subtract state sources:	<u>446,076</u>
<i>Total federal sources reported in the governmental funds</i>	<u>58,543</u>

Community Facility Loan Programs

Outstanding loan balances as of July 1, 2022	
Tax Increment Revenue Bond, Series 2020B	345,000
Tax Increment Revenue Bond, Series 2020A	1,034,000
Bond proceeds	
Tax Increment Revenue Bond, Series 2020A	<u>34,000</u>
<i>Total loan and loan guarantees</i>	<u>1,413,000</u>
<i>Total federal expenditures reported in the Schedule:</i>	<u>\$ 1,471,543</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Township Board of Trustees
Township of Tuscarora
Tuscarora, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Tuscarora (the "Township"), as of and for the year ended June 30, 2023, and the related notes to the financial statements and have issued our report thereon dated December 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing 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.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost as items 2023-001, 2023-002, and 2023-003, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Township's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Township's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Township's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Gabridge & Company, PLC
Traverse City, MI
December 29, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Township Board of Trustees
Township of Tuscarora
Tuscarora, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Township of Tuscarora's (the "Township") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Township's major federal programs for the year ended June 30, 2023. The Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Township complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Township and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Township's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Township's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Township's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Township's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Township's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Township's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a

combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Gabridge & Company". The signature is fluid and cursive, with "Gabridge" on the first line and "& Company" on the second line.

Gabridge & Company, PLC
Traverse City, MI
December 29, 2023

Township of Tuscarora
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Community Facilities Loan and Grants	10.766
Dollar threshold used to distinguish between Type A and B programs?	\$750,000
Auditee qualified as a low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

Items 2023-001, 2023-002, and 2023-003

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

2022-001 - Preparation of Governmental Financial Statements and Material Audit Adjustments - this is a repeat finding, see 2023-001.

Township of Tuscarora

SECTION II - FINANCIAL STATEMENT FINDINGS

2023-001 - Preparation of Governmental Financial Statements and Material Audit Adjustments (repeat finding)

Finding Type. Material weakness over financial reporting.

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

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

We prepared, and management approved of, material adjustments during the audit process. During the audit we proposed entries to record:

- 2016 Special Assessment Bonds Debt Retirement fund: Adjust current year receivable and deferred inflow for WAHBEE special assessment - \$134,244 decrease special assessment receivable and deferred revenue.
- 2016 Special Assessment Bonds Debt Retirement fund: Adjust current year receivable and deferred revenue for Prospect / Chippewa - \$642,760 decrease special assessment receivable and deferred revenue.
- General fund - Adjust accounts payable to actual in current year \$14,105.
- General fund – Record leases receivable of \$126,954 and deferred lease revenues of \$125,798.
- Sewer fund – Decrease special assessments receivable and revenue \$58,371.
- Sewer fund – Reclassify \$63,000 debt service expense as a reduction of long-term debt.
- Sewer fund – Record \$129,951 of depreciation expense.

Township of Tuscarora

SECTION II - FINANCIAL STATEMENT FINDINGS

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

Effect. As a result of this condition, the Township lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, at least in part, on its external auditors for assistance with this task. In addition, the Township's records were initially misstated by an amount material to the financial statements.

Questioned Costs. No costs have been questioned as a result of this finding.

Recommendation. The Township should evaluate the process currently used to identify and record adjustments to the general ledger at year-end. Additional controls or modification to the existing controls may be necessary. Correctly identifying year-end receivables will lead to management having to spend less time making modifications to the general ledger and the financial statements and will provide the Township Board with more accurate financial information in a timelier manner.

View of Responsible Officials. See corrective action plan.

Township of Tuscarora

SECTION II - FINANCIAL STATEMENT FINDINGS

2023-002 - Segregation of Incompatible Duties

Finding Type. Material weakness over financial reporting.

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 journal entries, cash reconciliations, and payroll (timecard) transactions.

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.

Questioned Costs. No costs have been questioned as a result of this finding.

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. See corrective action plan.

Township of Tuscarora

SECTION II - FINANCIAL STATEMENT FINDINGS

2023-003 - Timely Bank Reconciliations

Finding Type. Material weakness over financial reporting.

Criteria. The Accounting Procedures Manual for Local Units of Government in Michigan (published by the Michigan Department of Treasury) states “all bank accounts must be reconciled to the local unit accounting records monthly and should then be reviewed by the appropriate supervisory personnel. Bank statements and reconciliations must be retained for audit purposes.”

Condition/Finding. Bank accounts are not being reconciled and independently reviewed in a timely fashion, and, unreconciled variances (material to the financial statements) required proposed audit adjustments for resolution.

Cause. This condition is due to turnover within the Township’s accounting department during the year, and, new staff not having sufficient knowledge of the unreconciled variances to properly resolve the matter.

Effect. Failure to reconcile the bank statements created an incomplete general ledger and led to a misstatement of cash balances and a corresponding misstatement of revenues and/or expenditures.

Questioned Costs. No costs have been questioned as a result of this finding.

Recommendation. We recommend that management performs bank reconciliations within thirty days of month-end and that the bank statements and reconciliations be reviewed and signed by a second responsible person. We further recommend that the bank statements and all related documents be maintained for seven years in accordance with the Records Retentions Act of Michigan.

View of Responsible Officials. See corrective action plan.



December 29, 2023

CORRECTIVE ACTION PLAN

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following are the findings, as noted in the Township of Tuscarora, Michigan's Single Audit report for the year ended June 30, 2023, and corrective actions to be completed.

Finding: 2023-001 - Material weakness over financial reporting - Material Audit Adjustments, and Financial Statement Preparation

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

We prepared, and management approved of, material adjustments during the audit process. During the audit we proposed entries to record:

- 2016 Special Assessment Bonds Debt Retirement fund: Adjust current year receivable and deferred inflow for WAHBE special assessment - \$134,244 decrease special assessment receivable and deferred revenue.
- 2016 Special Assessment Bonds Debt Retirement fund: Adjust current year receivable and deferred revenue for Prospect / Chippewa - \$642,760 decrease special assessment receivable and deferred revenue.
- General fund - Adjust accounts payable to actual in current year \$14,105.
- General fund – Record leases receivable of \$126,954 and deferred lease revenues of \$125,798.
- Sewer fund – Decrease special assessments receivable and revenue \$58,371.
- Sewer fund – Reclassify \$63,000 debt service expense as a reduction of long-term debt.
- Sewer fund – Record \$129,951 of depreciation expense.

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Auditor Recommendation: The Township should evaluate the process currently used to identify and record adjustments to the general ledger at year-end. Additional controls or modification to the existing controls may be necessary. Correctly identifying year-end receivables will lead to management having to spend less time making modifications to the general ledger and the financial statements and will provide the Township Board with more accurate financial information in a timelier manner.

Corrective Action: We agree with the finding. The Township will continue to evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP. In the past the Township has determined that it is in the best interest of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Responsible Person Printed Name: *Jay Reidsma*

Signature: *Jay Reidsma*

Title: *Clerk*

Anticipated Completion Date: June 30, 2024

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Finding: 2023-002 - Material weakness over financial reporting - Segregation of Incompatible Duties

Auditor Description of Condition and Effect: 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 journal entries, cash reconciliations, and payroll (timecard) transactions.

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.

Auditor 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.

Corrective Action: We agree with the finding. As a result of limited staffing, we cannot accomplish the desired segregation of duties. Management staff will provide increased oversight and documented independent review of journal entries, bank reconciliations, employee timecards, etc., to help prevent and correct errors and to deter inappropriate actions and potential fraud.

Responsible Person Printed Name: *Jay REIDMA*

Signature: *Jay Reidma*

Title: *Clerk*

Anticipated Completion Date: June 30, 2024



Finding: 2023-003 - Material weakness over financial reporting - Timely Bank Reconciliations

Auditor Description of Condition and Effect: Bank accounts are not being reconciled and independently reviewed in a timely fashion, and, unreconciled variances (material to the financial statements) required proposed audit adjustments for resolution.

Failure to reconcile the bank statements created an incomplete general ledger and led to a misstatement of cash balances and a corresponding misstatement of revenues and/or expenditures.

Auditor Recommendation: We recommend that management performs bank reconciliations within thirty days of month-end and that the bank statements and reconciliations be reviewed and signed by a second responsible person. We further recommend that the bank statements and all related documents be maintained for seven years in accordance with the Records Retentions Act of Michigan.

Corrective Action: We agree with the finding. The proposed audit adjustments have been received, reviewed, and posted. Cash has been properly reconciled as of June 30, 2023 and management will ensure that bank reconciliations, and their documented independent review, will be completed within thirty days of each month-end going forward.

Responsible Person Printed Name: *Jay Reiderman*

Signature: *Jay Reiderman*

Title: *Clerk*

Anticipated Completion Date: January 31, 2024

December 29, 2023

To the Board of Trustees
Township of Tuscarora, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Tuscarora for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards and the Uniform Guidance* 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 September 12, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. There were no new accounting policies adopted, and the application of existing policies was not changed during the fiscal year ended June 30, 2023. We noted no transactions entered by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- 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 economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension plans are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop the estimates in determining that it is 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, some of 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 December 29, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, pension schedules, and 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.

We were engaged to report on the combining statements and individual fund statements and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

A handwritten signature in black ink that reads "Gabridge & Company". The signature is fluid and cursive, with "Gabridge" on the first line and "& Company" on the second line.

Gabridge & Company, PLC
Traverse City, MI