

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2024

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

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## INDEPENDENT AUDITOR'S REPORT

July 1, 2024

To the Township Board  
Township of Washington  
Gratiot County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Washington (the Township), as of and for the year ended March 31, 2024, 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, each major fund, and the aggregate remaining fund information of the Township, as of March 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

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

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

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

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

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

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

*Campbell Auditing CPA, PLC*

CAMPBELL AUDITING CPA, PLC

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2024

The Management's Discussion and Analysis report of the Township of Washington covers the Township's financial performance during the year ended March 31, 2024.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$225,679.20 from governmental activities with a \$20,007.60 increase in net position.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net position includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net position and how it has changed. Net position is the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net position are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF WASHINGTON  
 Gratiot County, Michigan  
CONDENSED FINANCIAL INFORMATION  
 For the year ended March 31, 2024

	<u>Total</u> Governmental Activities 2022	<u>Total</u> Governmental Activities 2024
Current Assets	225 026	365 783
Capital Assets	<u>10 966</u>	<u>10 225</u>
Total Assets	<u>235 992</u>	<u>376 008</u>
Current Liabilities	47 046	131 644
Non-current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>47 046</u>	<u>131 644</u>
Net Position:		
Invested in Capital		
Assets	10 966	10 225
Unrestricted	<u>177 980</u>	<u>234 139</u>
Total Net Position	<u><u>188 946</u></u>	<u><u>244 364</u></u>

	<u>Total</u> Governmental Activities 2022	<u>Total</u> Governmental Activities 2024
Program Revenues:		
Fees and Charges for Services	13 796	15 359
General Revenues:		
Property Taxes	90 317	76 471
Federal Revenue	-	1 000
State Revenue Sharing	92 895	92 613
Interest	63	1 124
Miscellaneous	<u>38 123</u>	<u>39 112</u>
Total Revenues	<u>235 194</u>	<u>225 679</u>
Program Expenses:		
Legislative	10 413	18 265
General Government	41 899	111 043
Public Safety	36 245	6 033
Public Works	<u>77 072</u>	<u>70 330</u>
Total Expenses	<u>165 629</u>	<u>205 671</u>
Change in Net Position	69 565	20 008
Net Position, April 1	<u>119 381</u>	<u>224 356</u>
Net Position, March 31	<u><u>188 946</u></u>	<u><u>244 364</u></u>

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2024

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Total net position at March 31, 2024, was \$244,363.84 for governmental activities. The increase in net position of \$20,007.60 for governmental activities was due in part to increased property tax revenue.

Refer to Page 4 for a summary of the Township's financial activity.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services with total expenditures of \$205,300.90. Fund balance increased by \$20,378.30, to total \$234,139.14, due to the continued stability of property tax revenue and state revenue sharing.

BUDGETARY HIGHLIGHTS

The Township's budget was compiled and adopted prior to the beginning of the fiscal year. Amendments were made to the budget during the year to bring budgeted items closer to economic reality. Revenues were \$16,379.20 over budget due in part to miscellaneous revenue being higher than expected. Expenses were \$38,599.10 under budget due in part to expenditures for Building and grounds being less than anticipated.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

Refer to Note 4 for a summary of the Township's capital asset activity.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at 8989 S. Baldwin Rd, Ashley, MI 48806.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET POSITION

March 31, 2024

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	353 985 20
Taxes receivable	<u>11 797 80</u>
Total Current Assets	<u>365 783 00</u>
CAPITAL ASSETS:	
Capital Assets	67 169 00
Less: Accumulated Depreciation	<u>(56 944 30)</u>
Total Capital Assets	<u>10 224 70</u>
TOTAL ASSETS	<u><u>376 007 70</u></u>
LIABILITIES AND NET POSITION:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	25 393 04
Unearned revenue	<u>106 250 82</u>
Total Current Liabilities	<u>131 643 86</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>131 643 86</u>
NET POSITION:	
Invested in Capital Assets, Net of Related Debt	10 224 70
Unrestricted	<u>234 139 14</u>
Total Net Position	<u>244 363 84</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>376 007 70</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended March 31, 2024

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	18 265 18	-	(18 265 18)
General government	111 043 56	12 933 75	(98 109 81)
Public safety	6 032 92	800 00	(5 232 92)
Public works	<u>70 329 94</u>	<u>1 625 00</u>	<u>(68 704 94)</u>
<b>Total Governmental Activities</b>	<u><u>205 671 60</u></u>	<u><u>15 358 75</u></u>	<u><u>(190 312 85)</u></u>
<b>General Revenues:</b>			
Property taxes			76 471 09
Federal revenue			1 000 00
State revenue sharing			92 612 98
Interest			1 123 85
Miscellaneous			<u>39 112 53</u>
<b>Total General Revenues</b>			<u>210 320 45</u>
<b>Change in net position</b>			20 007 60
<b>Net position, beginning of year</b>			<u>224 356 24</u>
<b>Net Position, End of Year</b>			<u><u>244 363 84</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2024

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	346 676 25
Taxes receivable	11 797 80
Due from other funds	<u>7 308 95</u>
Total Assets	<u><u>365 783 00</u></u>
<u>Liabilities and Fund Balance</u>	
Liabilities:	
Accounts payable	25 393 04
Unearned revenue	<u>106 250 82</u>
Total liabilities	<u>131 643 86</u>
Fund balance:	
Fund balances:	
Unassigned	<u>234 139 14</u>
Total fund balance	<u>234 139 14</u>
Total Liabilities and Fund Balance	<u><u>365 783 00</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
March 31, 2024

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	234 139 14
Amounts reported for governmental activities in the statement of net position are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	67 169 00
Accumulated depreciation	<u>(56 944 30)</u>
TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES	<u><u>244 363 84</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2024

	Total (General)
Revenues:	
Property taxes	76 471 09
Licenses and permits	800 00
Federal revenue	1 000 00
State revenue sharing	92 612 98
Charges for services – PTAF	12 183 75
Rent	750 00
Interest	1 123 85
Special assessments	1 625 00
Miscellaneous	39 112 53
Total revenues	225 679 20
Expenditures:	
Legislative:	
Township Board	18 265 18
General government:	
Supervisor	7 015 32
Elections	3 680 00
Assessor	6 459 00
Clerk	22 033 37
Board of Review	449 00
Treasurer	13 166 92
Building and grounds	49 247 08
Cemetery	8 622 17
Public safety:	
Planning and zoning	6 032 92
Public works:	
Highways and streets	57 540 68
Street lights	1 645 82
Drains	11 143 44
Total expenditures	205 300 90
Excess (deficiency) of revenues over expenditures	20 378 30
Fund balances, April 1, 2023	213 760 84
Fund Balances, March 31, 2024	234 139 14

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2024

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 20 378 30

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(370 70)
Capital Outlay	<u>-</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES 20 007 60

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

FIDUCIARY FUNDS-STATEMENT OF NET POSITION  
March 31, 2024

	<u>Total Custodial Funds</u>
<u>Assets</u>	
Cash in bank	<u>7 308 95</u>
Total Assets	<u><u>7 308 95</u></u>
<u>Liabilities and Net Position</u>	
Liabilities:	
Due to other funds	7 308 95
Due to other units	-
Total liabilities	<u>7 308 95</u>
Net Position:	-
Total net position	<u>-</u>
Total Liabilities and Net Position	<u><u>7 308 95</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

FIDUCIARY FUND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
Year ended March 31, 2024

	<u>Total Custodial Funds</u>
Additions:	
Property tax collected for other governments	<u>891 249 25</u>
Total additions	<u>891 249 25</u>
Deductions:	
Property taxes distributed to other governments	<u>891 249 25</u>
Total deductions	<u>891 249 25</u>
Net Change in Fiduciary Net Position	-
Net Position – Beginning of Year	<u>-</u>
Net Position – End of Year	<u>-</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Washington, Gratiot County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Washington. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental 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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Position or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 2 before they are added to the county tax rolls. The 2023 tax roll millage rate was 2.4324 mills, and the taxable value was \$30,822,640.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$750.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	25-50 years
Equipment	5-7 years

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

The proposed budgets include expenditures as well as the methods of financing them.

Public hearings are held to obtain taxpayer comments.

The budgets are adopted at the activity level by a majority vote of the Township Board.

The budgets are adopted on the modified accrual basis of accounting.

The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

The adopted budgets are used as a management control device during the year for all budgetary funds.

Budget appropriations lapse at the end of each fiscal year.

The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

Note 3 – Deposits and Investments (continued)

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>353 985 20</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	250 000 00
Uninsured and Uncollateralized	<u>185 444 45</u>
Total Deposits	<u>435 444 45</u>

The Township of Washington did not have any investments as of March 31, 2024.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/23	Additions	Deletions	Balance 3/31/24
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	5 575 00	-	-	5 575 00
Subtotal	5 575 00	-	-	5 575 00
Capital assets being depreciated:				
Buildings	44 603 00	-	-	44 603 00
Equipment	16 991 00	-	-	16 991 00
Subtotal	61 594 00	-	-	61 594 00
 Total	 67 169 00	 -	 -	 67 169 00
Accumulated Depreciation:				
Buildings	(39 582 60)	(370 70)	-	(39 953 30)
Equipment	(16 991 00)	-	-	(16 991 00)
Total	(56 573 60)	(370 70)	-	(56 944 30)
 Net Capital Assets	 10 595 40	 (370 70)	 -	 10 224 70

Depreciation expense was charged to the following activities:

General government	370 70
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Note 5 – Pension Plan

The Township provide a defined contribution pension plan, which provides pension benefits to qualified employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township's contribution for employees eligible to participate in the plan vests immediately upon date of hire. The Township contributes a percentage of the participant's salary to the plan. Township contributions are 7.5% of salary, while participant contributions are 7.5% of salary. Township contributions to the plan were \$2,587.50 and participant contributions to the plan were \$2,587.50. The plan provisions and contribution amounts were established by the Township Board and may be amended by the Board. The plans are administered as noted above.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

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

Note 8 – Building Permits

The Township of Washington does not issue building permits. Building permits are issued by the County of Gratiot.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2024

Note 9 – Interfund Receivables and Payables

Interfund receivables and payables are as follows:

	<u>Interfund Receivable</u>		<u>Interfund Payable</u>
General	<u>7 308 95</u>	Current Tax Collection	<u>7 308 95</u>

The above amounts reflect property taxes that were collected but not paid to the General Fund during the year.

Note 10 – Budget Variances

During the fiscal year ended March 31, 2024, the Township exceeded the budgeted amounts in the following activities:

<u>Fund/Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Budget Variance</u>
General Fund:			
Clerk	18 325 00	22 033 37	3 708 37
Cemetery	6 900 00	8 622 17	1 722 17
Planning and zoning	1 750 00	6 032 92	4 282 92

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended March 31, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	64 200 00	64 200 00	76 471 09	12 271 09
Licenses and permits	500 00	500 00	800 00	300 00
Federal revenue	-	-	1 000 00	1 000 00
State revenue sharing	93 500 00	93 500 00	92 612 98	(887 02)
Charges for services – PTAF	10 650 00	10 650 00	12 183 75	1 533 75
Rent	200 00	200 00	750 00	550 00
Interest	33 800 00	33 800 00	1 123 85	(32 676 15)
Special assessments	1 950 00	1 950 00	1 625 00	(325 00)
Miscellaneous	4 500 00	4 500 00	39 112 53	34 612 53
Total revenues	209 300 00	209 300 00	225 679 20	16 379 20
Expenditures:				
Legislative:				
Township Board	15 250 00	19 100 00	18 265 18	(834 82)
General government:				
Supervisor	8 700 00	7 700 00	7 015 32	(684 68)
Elections	8 050 00	8 050 00	3 680 00	(4 370 00)
Assessor	13 500 00	6 750 00	6 459 00	(291 00)
Clerk	25 075 00	18 325 00	22 033 37	3 708 37
Board of Review	1 700 00	1 500 00	449 00	(1 051 00)
Treasurer	21 375 00	13 650 00	13 166 92	(483 08)
Building and grounds	45 200 00	72 025 00	49 247 08	(22 777 92)
Cemetery	6 900 00	6 900 00	8 622 17	1 722 17
Public safety:				
Planning and zoning	2 000 00	1 750 00	6 032 92	4 282 92
Public works:				
Highways and streets	39 800 00	72 400 00	57 540 68	(14 859 32)
Street lights	1 750 00	1 750 00	1 645 82	(104 18)
Drains	14 000 00	14 000 00	11 143 44	(2 856 56)
Sewer	6 000 00	-	-	-
Total expenditures	209 300 00	243 900 00	205 300 90	(38 599 10)
Excess (deficiency) of revenues over expenditures	-	(34 600 00)	20 378 30	54 978 30
Fund balance, April 1, 2023	-	34 600 00	213 760 84	179 160 84
Fund Balance, March 31, 2024	-	-	234 139 14	234 139 14

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 1, 2024

To the Township Board  
Township of Washington  
Gratiot County, Michigan

We have audited the financial statements of the Township of Washington for the year ended March 31, 2024. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Washington in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Washington  
Gratiot County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

#### **PREPARATION OF FINANCIAL STATEMENTS**

Government units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the governmental unit rests with the governmental unit's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many governmental units to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal control.

To the Township Board  
Township of Washington  
Gratiot County, Michigan

**COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**  
(cont.)

PREPARATION OF FINANCIAL STATEMENTS (cont.)

The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the governmental unit's annual financial statements and notes to the financial statements in accordance with GAAP. The governmental unit relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We do not recommend any changes to this situation at this time and we communicate this as required by professional standards.

BUDGET VARIANCES

For the year ended March 31, 2024, the Township exceeded the amounts budgeted for several activities. We recommend that the Township amend the budget as necessary to comply with state law.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, for the year ended March 31, 2024.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell Auditing CPA, PLC*

CAMPBELL AUDITING CPA, PLC