

# **Pere Marquette Charter Township**

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**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
Year Ended December 31, 2020**

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# Pere Marquette Charter Township

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December 31, 2020

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## **INDEPENDENT AUDITOR'S REPORT**

To the Township Board  
Pere Marquette Charter Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pere Marquette Charter Township as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### **Management's Responsibility 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pere Marquette Charter Township, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Township Board  
Pere Marquette Charter Township

## **Other Matters**

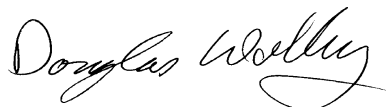
### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pere Marquette Charter Township's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Douglas Wohlberg, CPA  
Byron Center, Michigan  
June 25, 2021

# PERE MARQUETTE CHARTER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **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. There are two government-wide statements: the statement of net position and the statement of activities.

The statement of net position presents information on all of the Township's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between them presented 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 government'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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., arbitrage rebate owed but not due until a future year and earned but unused vacation leave).

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, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the Township include sewer and water operations.

The government-wide financial statements include only Pere Marquette Charter Township.

### **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 two categories: governmental funds and proprietary 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 evaluating 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.

# PERE MARQUETTE CHARTER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, Transportation Fund, and the Capital Improvement Fund, all of which are considered to be major funds.

The Township adopts an annual legally appropriated budget for the General Fund and Transportation Fund. Budgetary comparison statements have been provided for the General Fund and the Transportation Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 15-18 of this report.

The Township maintains two proprietary funds, the Sewer and Water Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses its enterprise fund to account for its utility operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 19 - 21 of this report.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

### Following is a summary of the Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 5,825,462	\$ 5,828,051	\$ 2,869,112	\$ 3,018,262	\$ 8,694,574	\$ 8,846,313
Capital assets	3,038,090	1,766,652	9,160,258	8,936,984	12,198,348	10,703,636
<b>Total assets</b>	<b>8,863,552</b>	<b>7,594,703</b>	<b>12,029,370</b>	<b>11,955,246</b>	<b>20,892,922</b>	<b>19,549,949</b>
Current liabilities	84,768	53,110	158,568	125,282	243,336	178,392
Noncurrent liabilities	1,790,000	2,080,000	-	-	1,790,000	2,080,000
<b>Total liabilities</b>	<b>1,874,768</b>	<b>2,133,110</b>	<b>158,568</b>	<b>125,282</b>	<b>2,033,336</b>	<b>2,258,392</b>
Deferred inflows of resources	72,672	81,756	-	-	72,672	81,756
Net position						
Net investment in capital assets	2,571,540	1,241,752	9,160,258	8,936,984	11,731,798	10,178,736
Restricted	271,389	243,468	-	-	271,389	243,468
Unrestricted	4,073,183	3,894,617	2,710,544	2,892,980	6,783,727	6,787,597
<b>Total net position</b>	<b>\$ 6,916,112</b>	<b>\$ 5,379,837</b>	<b>\$11,870,802</b>	<b>\$11,829,964</b>	<b>\$18,786,914</b>	<b>\$ 17,209,801</b>

# PERE MARQUETTE CHARTER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Following is a summary of the Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Program revenues</b>						
Charges for services	\$ 226,229	\$ 277,097	\$ 1,693,422	\$ 1,707,044	\$ 1,919,651	\$ 1,984,141
Operating grants and contributions	33,235	16,890	-	-	33,235	16,890
Capital grants and contributions	600,000	-	-	-	600,000	-
<b>General revenues</b>						
Property taxes	2,389,488	2,208,955	-	-	2,389,488	2,208,955
State-shared revenue	210,305	207,609	-	-	210,305	207,609
Miscellaneous	215,621	274,500	(4,343)	5,282	211,278	279,782
<b>Total revenues</b>	<b>3,674,878</b>	<b>2,985,051</b>	<b>1,689,079</b>	<b>1,712,326</b>	<b>5,363,957</b>	<b>4,697,377</b>
<b>Program expenses</b>						
General government	938,907	845,941	-	-	938,907	845,941
Public safety	249,777	247,969	-	-	249,777	247,969
Public works	732,074	710,472	-	-	732,074	710,472
Community and economic development	68,599	56,646	-	-	68,599	56,646
Recreation and culture	174,436	182,613	-	-	174,436	182,613
Capital outlay	83,307	20,972	-	-	83,307	20,972
Interest on long-term debt	40,328	47,191	-	-	40,328	47,191
Sewer	-	-	469,657	456,789	469,657	456,789
Water	-	-	1,146,848	1,075,540	1,146,848	1,075,540
<b>Total expenses</b>	<b>2,287,428</b>	<b>2,111,804</b>	<b>1,616,505</b>	<b>1,532,329</b>	<b>3,903,933</b>	<b>3,644,133</b>
<b>Increase (decrease) in net position before transfers and capital contributions</b>						
	1,387,450	873,247	72,574	179,997	1,460,024	1,053,244
Transfers	148,825	136,980	(148,825)	(136,980)	-	-
Capital contributions	-	-	117,089	-	117,089	-
<b>Change in net position</b>	<b>1,536,275</b>	<b>1,010,227</b>	<b>40,838</b>	<b>43,017</b>	<b>1,577,113</b>	<b>1,053,244</b>
<b>Net position-beginning</b>	<b>5,379,837</b>	<b>4,369,610</b>	<b>11,829,964</b>	<b>11,786,947</b>	<b>17,209,801</b>	<b>16,156,557</b>
<b>Net position-ending</b>	<b>\$ 6,916,112</b>	<b>\$ 5,379,837</b>	<b>\$11,870,802</b>	<b>\$11,829,964</b>	<b>\$18,786,914</b>	<b>\$ 17,209,801</b>



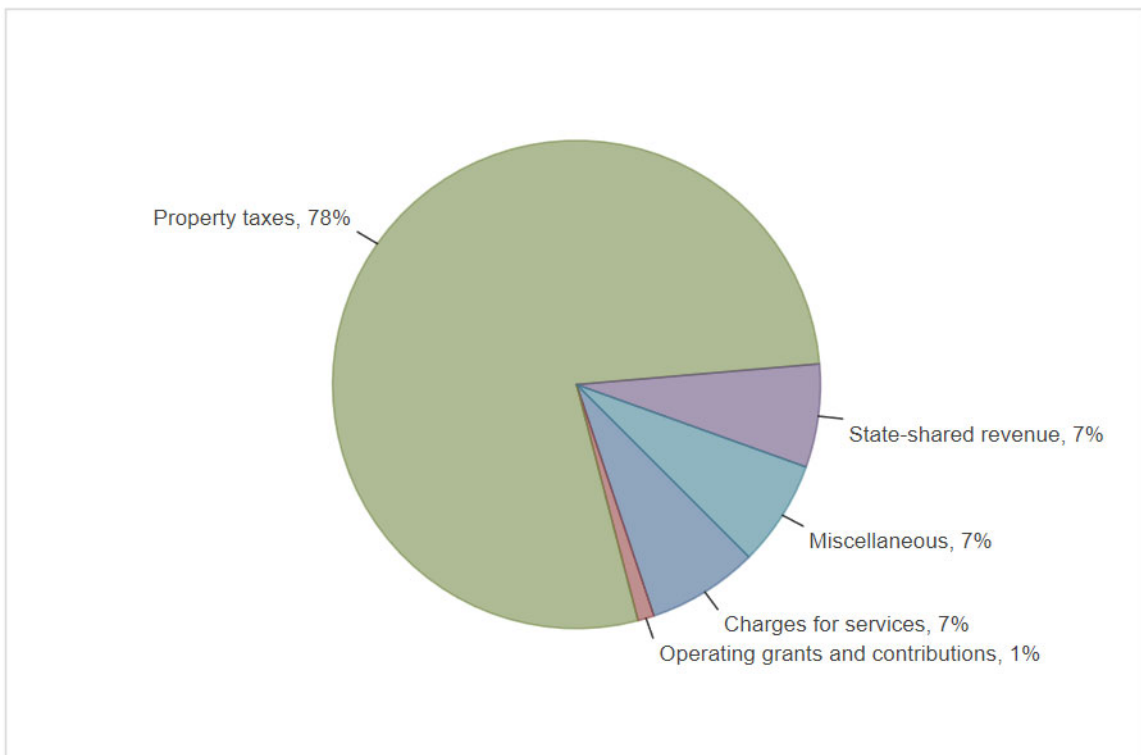
# PERE MARQUETTE CHARTER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

## The Township as a whole

The Township as a whole has continued to maintain a solid financial base. The Township's combined net position increased by \$1,577,113, or 9% during the year. Unrestricted net position, the part of net position that can be used to finance day to day operations, increased during the year by \$24,051, or 0.4%. Long-term debt related to the governmental funds decreased by 14% from the prior year.

## Governmental Activities

Revenue for the Township's governmental operations is generated primarily from three sources: tax revenue, charges for services and permit fees, and State sources such as State revenue sharing and State grants, when awarded. The following chart illustrates the sources of the Township's revenue.



The current tax millage levy is 2.85 mills. Tax revenue is calculated on each property by multiplying the taxable value by the levied millage rate. For example, a home with a taxable value of \$60,000 ( $\times .00285$ ) would generate Township tax revenue of \$171. The levy remained at 2.35 mills for the years 1997 through 2003, and increased to 2.85 in 2004 due to declining revenues and increasing expenses of operation.

# PERE MARQUETTE CHARTER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In 2008, Township electors passed a Public Transportation millage. In August of 2018 a millage renewal was passed for up to .40 mills. The Township Board determined that in 2018 the actual amount of revenue needed to provide this service, contracted through Ludington Mass Transportation Authority, would be .20 mills and that amount was levied.

Total revenue in the General Fund shows an increase of \$100,103 over the prior year. General Fund expenditures amounted to \$250,514 more than in the previous year. Township departments generally were able to stay below budgeted numbers on expenditures. For the year, the General Fund revenues exceeded expenditures by \$863,964. Budget status reports are reviewed by each department monthly for evaluation and monitoring of expenditures.

### **Business-type Activities**

The township's business-type activities are accounted for in the Water Fund and the Sewer Fund. Development of these systems has been funded by the issuance of special assessment and general obligation bonds by the Township, and by bonds issued by the Hamlin/Pere Marquette Water and Sewer Authority. Smaller projects have been charged directly to the water and sewer funds. Bond payments are funded through special assessment charges added to tax bills, by general fund revenues, and by connection and user charges of the water and sewer funds.

The Township's water and sewer systems are still being developed. Water and sewer mains will continue to be installed in areas that are not currently served. Customers will continue to be added in areas that have service now. Initially the Township had a single purchased water system, with all water supplied by the City of Ludington. In 2008 a ground water (well) system was added to address concerns over low pressure in the township's industrial and business parks. Currently, over 50% of the Township's water customer's are being served by the ground water system.

The Township Board issued General Obligation Construction and Refunding bonds in 2013. The issue included funding to refinance two outstanding bond issues from prior years. The issue also included \$875,000 in new money to finance the Rasmussen Road Water Main Expansion Project, the 6<sup>th</sup> Street Lift Station Replacement, as well as maintenance and improvements to the water tower and the town hall property. The remaining funds are being used to purchase a radio read system and new water meters.

In 2015 the Township entered into an agreement with the City of Ludington and Township customer, Michigan Power Limited. Michigan Power operates a co-generation plant in the Township and wished to obtain water for their plant processes. The agreement included both a reduced wholesale rate for water purchased from the City of Ludington and a high-volume rate for water sold to Michigan Power. Net sales related to this agreement are anticipated to be over \$46,000 per year. Additionally the reduced rate for purchased water is expected to lower costs by \$14,000 per year, for a total estimated annual benefit of \$60,000.

The general operational needs of the Pere Marquette Water and Sewer Departments are paid by user fees. A rate study of both systems is done periodically to determine if the rate structure is adequate to sustain the systems. In 2014 the Township contracted with Burton & Associates of Jackson, Michigan to perform a thorough financial analysis of both systems. Burton and Associates found that the \$60,000 benefit associated with the new agreement with the City of Ludington and Michigan Power would allow the Township Board to reduce water rates by 10% in 2015 from \$3.45 to \$3.11 per CCF. The recommendation from the analysis concluded that no increases would take place in 2016 and that the recommended annual inflationary increase of 3.5% would begin in 2017 and go through 2024 with all rate increases required to be approved by resolution of the Township Board.

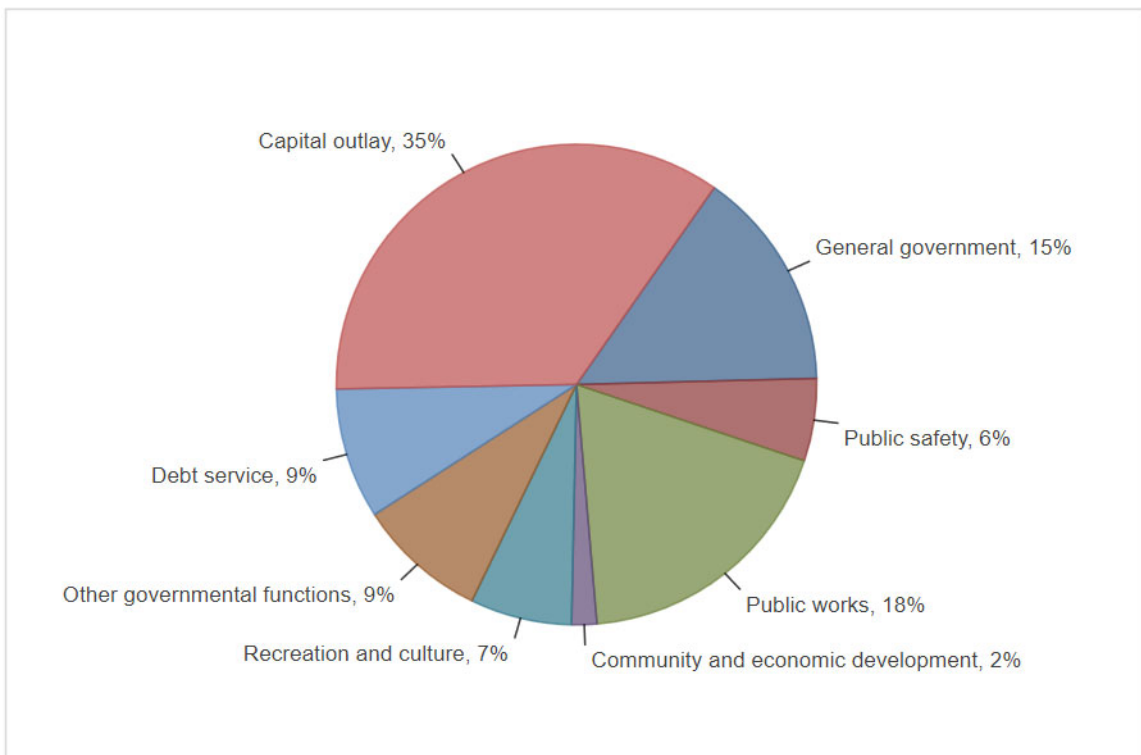
# PERE MARQUETTE CHARTER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

## The Township's Funds

Analysis of the Township's major funds follows the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for various activities. The Township's major funds for the year are the General Fund, Transportation Fund, Capital Improvement Fund, and the Sewer and Water Funds.

The General Fund pays for most of the Township's governmental services. The most significant are General Government which includes many departments such as the Supervisor, Clerk and Treasurer; Public Safety which includes the fire department and the building inspection department; Recreation and Culture which is the parks and recreation department; Public Works which includes roads and street lighting, and curbside refuse. These services are funded by a combination of general tax collection and user fees.

The chart below illustrates how expenditures were allocated to various services across all of the governmental funds during the year.



Transfers into the 2013 General Obligation Debt Retirement Fund are used to make the principal and interest payments on long-term debt borrowed for the installation of water and sewer service lines.

# PERE MARQUETTE CHARTER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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 spending at the end of the fiscal year. As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$5,752,531, a decrease of \$36,060 from the prior year. Of the \$5,752,531, \$3,081,540 is reported in the General Fund.

The Transportation System Fund accounts for tax revenue collected through the public transportation tax levy and contractual expense related to the service provided by Ludington Mass Transportation Authority. At the end of the current fiscal year, fund balance was \$168,673, an increase of \$15,090 from the prior year.

The Capital Improvement Fund is utilized to set aside and purchase and/or replace equipment or make major improvements or additions to Township assets. The Township strives to budget and appropriate a yearly transfer of non-tax revenue from the General Fund to the Capital Improvement Fund to provide for the purchase and replacement of capital assets. In 2020 the Township was able to transfer \$750,000 in non-tax revenue to the Capital Improvement Fund. At the end of the current fiscal year, fund balance was \$2,399,602, an increase of \$61,745 from the prior year.

The METRO Act Fund is used to account for maintenance fees received through the Metropolitan Extension Telecommunications Rights-of-Way Oversight (METRO) Authority under the Metropolitan Extension Telecommunications Rights-of-Way Oversight Act, 2002 PA 48, as amended, MCL 484.3101 to 484.3120 (the "METRO Act"). At the end of the current fiscal year, fund balance was \$72,260, an increase of \$4,880 from the prior year.

The 2013 General Obligation Fund was created to refinance the two outstanding bond issues from prior years and to finance two expansions to the water system, upgrade sewer lift stations, and upgrade the meter reading system. At the end of the current fiscal year, fund balance was \$0, there was no change from the prior year.

The 2004 General Obligation/Capital Improvement Fund was created in 2004 to account for the payment of debt incurred on the sale of bonds to be used to match a U.S. Department of Commerce, Economic Development Administration Grant for the development of the First Street Business Park, construction of an elevated water tower, and installation of municipal water wells. This debt was refinanced in 2013, resulting in a savings of \$281,365. At the end of the current fiscal year, fund balance was \$30,456, an increase of \$7,951 from the prior year.

The 2004 Construction Fund was activated in 2004 to receive the proceeds from the sale of the 2004 Capital Improvement bonds and to account for revenue and expenditures associated with the construction of the First Street Business Park, water tower and municipal well project. At the end of the current fiscal year, fund balance was \$0, a decrease of \$56,956 from the prior year.

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

Unrestricted net position of the Sewer and Water Funds at the end of the year amounted to \$1,605,409 and \$1,105,135 respectively. The Sewer Fund had a decrease in net position for the year of \$33,949. The Water Fund had an increase in net position for the year of \$74,787.

# PERE MARQUETTE CHARTER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **General Fund Budgetary Highlights**

The Township Board amended the budget to take into account events that occurred during the year. Expenditures were closely monitored during the year. The Township strives to maintain a General Fund balance that approximates the amount of yearly expenditures. The fund balance was decreased by \$68,770 during the year to \$3,081,540, which represents a 2% decrease from 2019.

The Township Board amended the General Fund budget through the year. Increases from the original budget were made to the Supervisor's and Clerk's departments to allow for additional staffing. The public works budget was increased to allow for reassignments of personnel.

The Board decreased the budgets in Township Board, Assessor, and Buildings and grounds to allow for reassignment of personnel. The Board decreased the budgets in Highways, Streets, and Bridges and Tax tribunal refunds because actual expenditures were lower than originally anticipated.

Significant positive budget variances occurred in Administrator, Buildings and Grounds, Public Safety, Street Lighting, Planning and Zoning because actual expenditures were lower than originally anticipated.

### **Capital Asset and Debt Administration**

At the end of the year, the Township had approximately \$12 million invested in a broad range of capital assets, including buildings, park improvements, fire equipment, business/industrial park property, and water and sewer lines. Depreciation expense on these capital assets, which decreases their book value, was approximately \$466,000. Approximately \$2 million of capital assets were added during the year.

During the year, the Township obtained a large parcel of undeveloped land from Dow Chemical. The value of the land is in excess of \$1.2 million. Dow Chemical contributed \$600,000 of that to the Township.

In past years, the Township has invested significantly in roads within the Township. Road assets are not reported in the Township's financial statements because by Michigan law these roads are the property of the Mason County Road Commission.

### **Economic Factors and Revenue Projections**

Pere Marquette Charter Township's property tax revenues are up approximately 8% due to new construction that has taken place in the township in all classes including Residential, Commercial, and Industrial. The township is experiencing a period of growth with several new businesses coming into the township and the continued \$800 million upgrade to the Consumers Energy Pumped Storage Facility. These tax revenue increases have allowed the township the opportunity to increase the level of services it provides to its residents. The township has increased expenditures for local road improvement as funding from the State and Counties has proved insufficient. The township has also increased expenditures for the three parks and park facilities for improvements of those properties.

### **Overall Financial Condition**

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

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

# PERE MARQUETTE CHARTER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Contacting the Township's Management**

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

1699 S. Pere Marquette Highway  
Ludington, MI 49431  
phone: (231) 845-1277  
email: [rachelle@pmtwp.org](mailto:rachelle@pmtwp.org)  
fax: (231) 843-3330

## **BASIC FINANCIAL STATEMENTS**

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# Pere Marquette Charter Township

## Statement of Net Position

December 31, 2020

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 4,676,983	\$ 2,470,686	\$ 7,147,669
Receivables, net	1,148,479	398,426	1,546,905
Land	1,846,524	8,969	1,855,493
Capital assets, net of accumulated depreciation	1,191,566	9,151,289	10,342,855
<b>Total assets</b>	<b>\$ 8,863,552</b>	<b>\$ 12,029,370</b>	<b>\$ 20,892,922</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 43,367	\$ 158,568	\$ 201,935
Accrued and other liabilities	17,083	-	17,083
Due to other governmental units	98	-	98
Unearned revenue	24,220	-	24,220
Noncurrent liabilities:			
Due within one year	295,000	-	295,000
Due in more than one year	1,495,000	-	1,495,000
<b>Total liabilities</b>	<b>1,874,768</b>	<b>158,568</b>	<b>2,033,336</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred premium on refunding	72,672	-	72,672
<b>NET POSITION</b>			
Net investment in capital assets	2,571,540	9,160,258	11,731,798
Restricted for:			
Debt service	30,456	-	30,456
Right of way improvements	72,260	-	72,260
Public transportation	168,673	-	168,673
Unrestricted	4,073,183	2,710,544	6,783,727
<b>Total net position</b>	<b>6,916,112</b>	<b>11,870,802</b>	<b>18,786,914</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 8,863,552</b>	<b>\$ 12,029,370</b>	<b>\$ 20,892,922</b>

The notes to the financial statements are an integral part of this statement.



# Pere Marquette Charter Township

## Statement of Activities

For the year ended December 31, 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Functions/Programs:</b>							
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 938,907	\$ 10,263	\$ -	\$ -	\$ (928,644)	\$ -	\$ (928,644)
Public safety	249,777	45,493	28,355	-	(175,929)	-	(175,929)
Public works	732,074	4,275	4,880	-	(722,919)	-	(722,919)
Community and economic development	68,599	-	-	-	(68,599)	-	(68,599)
Recreation and culture	174,436	166,198	-	600,000	591,762	-	591,762
Capital outlay	83,307	-	-	-	(83,307)	-	(83,307)
Interest on long-term debt	40,328	-	-	-	(40,328)	-	(40,328)
<b>Total governmental activities</b>	<b>2,287,428</b>	<b>226,229</b>	<b>33,235</b>	<b>600,000</b>	<b>(1,427,964)</b>	<b>-</b>	<b>(1,427,964)</b>
Business-type activities:							
Sewer	469,657	431,062	-	-	-	(38,595)	(38,595)
Water	1,146,848	1,262,360	-	-	-	115,512	115,512
<b>Total business-type activities</b>	<b>1,616,505</b>	<b>1,693,422</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,917</b>	<b>76,917</b>
<b>Total primary government</b>	<b>\$ 3,903,933</b>	<b>\$ 1,919,651</b>	<b>\$ 33,235</b>	<b>\$ 600,000</b>	<b>(1,427,964)</b>	<b>76,917</b>	<b>(1,351,047)</b>
General revenues:							
Property taxes					2,389,488	-	2,389,488
State-shared revenues					210,305	-	210,305
Unrestricted investment income					94,160	4,045	98,205
Rent and contracts					21,970	-	21,970
Capital contributions					-	117,089	117,089
Intergovernmental					37,429	-	37,429
Gain/loss on sale of capital assets					5,044	(8,388)	(3,344)
Miscellaneous					57,018	-	57,018
Transfers					148,825	(148,825)	-
<b>Total general revenues and transfers</b>					<b>2,964,239</b>	<b>(36,079)</b>	<b>2,928,160</b>
<b>Change in net position</b>					<b>1,536,275</b>	<b>40,838</b>	<b>1,577,113</b>
<b>Net position-beginning</b>					<b>5,379,837</b>	<b>11,829,964</b>	<b>17,209,801</b>
<b>Net position-ending</b>					<b>\$ 6,916,112</b>	<b>\$ 11,870,802</b>	<b>\$ 18,786,914</b>

The notes to the financial statements are an integral part of this statement.

# Pere Marquette Charter Township

## Governmental Funds

### Balance Sheet

December 31, 2020

	General	Transportation	Capital Improvement	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 2,066,415	\$ 108,250	\$ 2,399,602	\$ 102,716	\$ 4,676,983
Taxes receivable	1,050,216	72,098	-	-	1,122,314
Accounts receivable	26,165	-	-	-	26,165
<b>Total assets</b>	<b>\$ 3,142,796</b>	<b>\$ 180,348</b>	<b>\$ 2,399,602</b>	<b>\$ 102,716</b>	<b>\$ 5,825,462</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 31,692	\$ 11,675	\$ -	\$ -	\$ 43,367
Due to other units of government	98	-	-	-	98
Deposits payable	5,246	-	-	-	5,246
Deferred revenue	24,220	-	-	-	24,220
<b>Total liabilities</b>	<b>61,256</b>	<b>11,675</b>	<b>-</b>	<b>-</b>	<b>72,931</b>
<b>FUND BALANCES</b>					
Restricted:					
Debt service	-	-	-	30,456	30,456
Right of way improvements	-	-	-	72,260	72,260
Public transportation	-	168,673	-	-	168,673
Assigned			2,399,602		2,399,602
Unassigned	3,081,540	-	-	-	3,081,540
<b>Total fund balances</b>	<b>3,081,540</b>	<b>168,673</b>	<b>2,399,602</b>	<b>102,716</b>	<b>5,752,531</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,142,796</b>	<b>\$ 180,348</b>	<b>\$ 2,399,602</b>	<b>\$ 102,716</b>	<b>\$ 5,825,462</b>

The notes to the financial statements are an integral part of this statement.

# Pere Marquette Charter Township

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2020

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Total fund balances - governmental funds	\$ 5,752,531
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 funds.	3,038,090
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,790,000)
A premium resulting from the issuance of refunding long-term debt is an other source or use of funds in the governmental funds but is a deferred inflow of resources on the entity-wide financial statements	(72,672)
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.	(11,837)
<hr/> Net position of governmental activities	<hr/> \$ 6,916,112 <hr/>

The notes to the financial statements are an integral part of this statement.

# Pere Marquette Charter Township

## Governmental Funds

### Statement of Revenues, Expenditures, and Changes in Fund Balances

For the year ended December 31, 2020

	General	Transportation	Capital Improvement	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 2,252,054	\$ 137,434	\$ -	\$ -	\$ 2,389,488
Licenses and permits	40,368	-	-	-	40,368
Intergovernmental	247,734	-	-	4,880	252,614
Charges for services	185,861	-	-	-	185,861
Interest and rentals	116,130	-	-	-	116,130
Other revenue	77,423	-	600,000	7,951	685,374
<b>Total revenues</b>	<b>2,919,570</b>	<b>137,434</b>	<b>600,000</b>	<b>12,831</b>	<b>3,669,835</b>
<b>EXPENDITURES</b>					
Current:					
General government	576,429	-	-	-	576,429
Public safety	215,277	-	-	-	215,277
Public works	594,772	122,344	-	-	717,116
Community and economic development	65,551	-	-	-	65,551
Recreation and culture	265,016	-	-	-	265,016
Other governmental functions	338,561	-	-	-	338,561
Debt service	-	-	-	341,225	341,225
Capital outlay	-	-	1,288,255	69,391	1,357,646
<b>Total expenditures</b>	<b>2,055,606</b>	<b>122,344</b>	<b>1,288,255</b>	<b>410,616</b>	<b>3,876,821</b>
Excess (deficiency) of revenues over expenditures	863,964	15,090	(688,255)	(397,785)	(206,986)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	750,000	353,660	1,103,660
Sale of capital assets	22,101	-	-	-	22,101
Transfers out	(954,835)	-	-	-	(954,835)
<b>Total other financing sources (uses)</b>	<b>(932,734)</b>	<b>-</b>	<b>750,000</b>	<b>353,660</b>	<b>170,926</b>
Net change in fund balances	(68,770)	15,090	61,745	(44,125)	(36,060)
Fund balances-beginning	3,150,310	153,583	2,337,857	146,841	5,788,591
<b>Fund balances-ending</b>	<b>\$ 3,081,540</b>	<b>\$ 168,673</b>	<b>\$ 2,399,602</b>	<b>\$ 102,716</b>	<b>\$ 5,752,531</b>

The notes to the financial statements are an integral part of this statement.

# Pere Marquette Charter Township

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended December 31, 2020

Net change in fund balances - total governmental funds	\$ (36,060)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	1,372,305
Depreciation expense	(102,010)
The sale of capital assets provides current financial resources for governmental funds, however it is the gain or or loss on the sale that affects net position.	1,143
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liability in the statement of net position.	290,000
A premium resulting from the issuance of refunding long-term debt is an other source or use of funds in the governmental funds but is a deferred inflow of resources on the entity-wide financial statements	9,085
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.	1,812
Special assessment revenue is recognized in the entity-wide financial statements when earned but is a deferred inflow in the governmental fund financial statements.	
<b>Change in net position of governmental activities</b>	<b>\$ 1,536,275</b>

The notes to the financial statements are an integral part of this statement.

# Pere Marquette Charter Township

## Proprietary Funds

### Statement of Net Position

December 31, 2020

	Sewer Fund	Water Fund	Total Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,527,486	\$ 943,200	\$ 2,470,686
Accounts receivable	83,451	215,517	298,968
Special assessments receivable	32,176	67,282	99,458
<b>Total current assets</b>	<b>1,643,113</b>	<b>1,225,999</b>	<b>2,869,112</b>
Noncurrent assets:			
Land	8,969	-	8,969
Capital assets	3,513,265	5,638,024	9,151,289
<b>Total Noncurrent assets</b>	<b>3,522,234</b>	<b>5,638,024</b>	<b>9,160,258</b>
<b>Total assets</b>	<b>5,165,347</b>	<b>6,864,023</b>	<b>12,029,370</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	37,704	120,864	158,568
<b>NET POSITION</b>			
Net investment in capital assets	3,522,234	5,638,024	9,160,258
Unrestricted	1,605,409	1,105,135	2,710,544
<b>Total net position</b>	<b>5,127,643</b>	<b>6,743,159</b>	<b>11,870,802</b>
<b>Total liabilities and net position</b>	<b>\$ 5,165,347</b>	<b>\$ 6,864,023</b>	<b>\$ 12,029,370</b>

The notes to the financial statements are an integral part of this statement.

# Pere Marquette Charter Township

## Proprietary Funds

### Statement of Revenues, Expenses and Changes in Net Position

For the year ended December 31, 2020

	Sewer Fund	Water Fund	Total Enterprise Funds
Operating revenues:			
Sales	\$ 397,633	\$ 1,194,646	\$ 1,592,279
Penalties and interest	292	380	672
Installation and other charges	33,137	67,334	100,471
<b>Total operating revenues</b>	<b>431,062</b>	<b>1,262,360</b>	<b>1,693,422</b>
Operating expenses:			
Personal services	63,833	90,450	154,283
Contractual services	205,077	757,083	962,160
Utilities	13,892	33,080	46,972
Repairs and maintenance	11,177	6,049	17,226
Other	16,806	55,068	71,874
Depreciation	158,872	205,118	363,990
<b>Total operating expenses</b>	<b>469,657</b>	<b>1,146,848</b>	<b>1,616,505</b>
<b>Operating income (loss)</b>	<b>(38,595)</b>	<b>115,512</b>	<b>76,917</b>
Nonoperating revenues (expenses):			
Investment earnings	1,147	2,898	4,045
Sale of Assets	(2,234)	(6,154)	(8,388)
<b>Total nonoperating revenues (expenses)</b>	<b>(1,087)</b>	<b>(3,256)</b>	<b>(4,343)</b>
<b>Income (loss) before contributions and transfers</b>	<b>(39,682)</b>	<b>112,256</b>	<b>72,574</b>
Capital contributions	27,756	89,333	117,089
Transfers out	(22,023)	(126,802)	(148,825)
<b>Total contributions and transfers</b>	<b>5,733</b>	<b>(37,469)</b>	<b>(31,736)</b>
<b>Change in net position</b>	<b>(33,949)</b>	<b>74,787</b>	<b>40,838</b>
<b>Net position-beginning</b>	<b>5,161,592</b>	<b>6,668,372</b>	<b>11,829,964</b>
<b>Net position-ending</b>	<b>\$ 5,127,643</b>	<b>\$ 6,743,159</b>	<b>\$ 11,870,802</b>

The notes to the financial statements are an integral part of this statement.

# Pere Marquette Charter Township

## Proprietary Funds

### Statement of Cash Flows

For the year ended December 31, 2020

	Sewer Fund	Water Fund	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 443,743	\$ 1,185,716	\$ 1,629,459
Payments to suppliers	(266,530)	(798,416)	(1,064,946)
Payments to employees	(63,833)	(90,450)	(154,283)
Collection of special assessments	(27,992)	(14,469)	(42,461)
Net cash provided by (used for) operating activities	85,388	282,381	367,769
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund transactions, net	(22,023)	(126,802)	(148,825)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(29,756)	(567,189)	(596,945)
Other receipts (payments)	517	776	1,293
Capital contributions	27,756	89,333	117,089
Net cash provided by (used for) capital and related financing activities	(1,483)	(477,080)	(478,563)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	1,147	2,898	4,045
Net increase (decrease) in cash and cash equivalents	63,029	(318,603)	(255,574)
Cash and cash equivalents January 1	1,464,457	1,261,803	2,726,260
Cash and cash equivalents December 31	\$ 1,527,486	\$ 943,200	\$ 2,470,686
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (38,595)	\$ 115,512	\$ 76,917
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	158,872	205,118	363,990
(Increase) decrease in accounts receivable	12,681	(76,644)	(63,963)
Increase (decrease) in accounts and other payables	(19,578)	52,864	33,286
(Increase) decrease in special assessments receivable	(27,992)	(14,469)	(42,461)
Net cash provided by (used for) operating activities	\$ 85,388	\$ 282,381	\$ 367,769

The notes to the financial statements are an integral part of this statement.



# Pere Marquette Charter Township

## Fiduciary Funds

### Statement of Fiduciary Net Position

December 31, 2020

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	<u>Custodial Fund</u>	
	<u>Tax Account</u>	
<b>ASSETS</b>		
Cash	\$	890,451
<b>LIABILITIES</b>		
Due to local governments	\$	890,451

The notes to the financial statements are an integral part of this statement.

# Pere Marquette Charter Township

## Fiduciary Funds

### Statement of Changes in Fiduciary Net Position

December 31, 2020

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	<u>Custodial Fund</u>	
	<u>Tax Account</u>	
<b>ADDITIONS</b>		
Property tax collections for other governments	\$	27,156,110
<b>DEDUCTIONS</b>		
Payments of property taxes to other governments	\$	27,156,110

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The notes to the financial statements are an integral part of this statement.

## **NOTES TO THE FINANCIAL STATEMENTS**

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# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Description of Government-wide 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. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

#### **B. Reporting Entity**

As required by generally accepted accounting principles, these financial statements present only the Township (located in Mason County), as management has determined that there are no other entities for which the Township is financially accountable.

#### **Jointly Governed Organization**

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

<b>At December 31, 2019</b>		<b>Year ended December 31, 2019</b>	
Total Assets	\$ 2,667,202	Revenues	\$ 467,948
Total Liabilities	\$ 25,082	Expenses	211,777
Total Net Position	2,642,120	Change in Net Position	\$ 256,171
Total Liabilities and Net Position	\$ 2,667,202		

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

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### C. 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, 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. Likewise, the primary government is reported separately from certain 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 segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

### D. 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 funds and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Fiduciary Funds are used to report assets held in a trustee or custodial capacity for others and therefore are not available to support Township programs. The Township has adopted GASBS No. 84 for the reporting and classification of its fiduciary activities. Fiduciary reporting focus is on net position and changes in net position and are reported using the accrual basis of accounting.

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

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. 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.

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

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The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Transportation Fund accounts for services provided by the Ludington Mass Transportation Authority.

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

The government reports the following major enterprise funds:

The Water Fund and the Sewer Fund account for the activities of the water distribution system and sewage collection system.

Additionally, the government reports the following fund types:

Fiduciary Funds, these Custodial Funds account for property tax collected on behalf of other units and various deposits.

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

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

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When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

### **E. Assets, Liabilities, and Net Position or Equity**

#### Bank Deposits and Investments

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

To improve cash management, cash received by the Township is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Township's records. Interest in the pool is presented as "Cash and pooled investments" on the financial statements. Investments are stated at fair value.

#### Statements of Cash Flows

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

#### Receivables and Payables

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

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

#### Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

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### Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and Sewer Lines	50 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 government did not have any items qualifying for this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The Township reports as deferred inflows of resources a deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.



# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

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### Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. 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 sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

### Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### Other Financing Sources (Uses)

Transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

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### Net Position and Fund Balances

The difference between fund assets and liabilities is "Net Position" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balance" on governmental fund statements. Net Position is classified as "Net Investment in Capital Assets," legally "Restricted" for a specific purpose, or "Unrestricted" and available for appropriation for the general purposes of the fund. In governmental fund financial statements, fund balances are classified as follows:

- Nonspendable--Resources that cannot be spent either because they are a) not in spendable form or; b) legally or contractually required to be maintained intact.
- Restricted--Resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed--Amounts that can be used only for specific purposes determined by a formal action of the Township Board. The Township Board is the highest level of decision-making authority for the Township. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Township Board.
- Resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.
- Assigned--Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Village's adopted policy, only the Township Board may assign amounts for specific purposes.
- Unassigned--Resources that cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

### Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Township's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Township's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

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### F. Revenues and Expenditures/Expenses

#### Program Revenues

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

#### Property Taxes

Pere Marquette Charter Township's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in Pere Marquette Charter Township as of the preceding December 31st.

Although Pere Marquette Charter Township's 2020 ad valorem tax is levied and collectible on December 1, 2020, it is Pere Marquette Charter Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

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

#### Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the connection fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

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### **NOTE 2-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### Budgetary Information

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

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

On or before September 1, the Township supervisor submits to the Board, a proposed operating budget for the fiscal year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the Township hall to obtain taxpayer comments.

On or before December 31, the budget is adopted by resolution.

The transfer of budgeted amounts between activities within any fund or any revisions that alter the total expenditures of any fund must be approved by the Township Board.

Budgeted amounts are presented as originally adopted, or as amended by the Township Board before December 31.

Budgets as presented for the general and special revenue funds are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.

The Township legally adopts budgets for the General Fund and Special Revenue Funds.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles and consist only of those amounts contained in the formal budget approved as amended by the Township Board.

The legal level of control is at the activity level of the General Fund and at the fund expenditure totals for the Special Revenue Funds.

The Township Clerk is authorized to transfer budgeted amounts between accounts within the same activity.

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

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

The captions on the financial statements relating to cash and investments are as follows:

	Primary Government	Fiduciary Funds	Total
Cash and pooled investments	\$ 7,147,669	\$ 890,451	\$ 8,038,120

Michigan Compiled Laws, Section 129.91, authorizes Pere Marquette Charter Township to make deposits and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of 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.

The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all of State statutory authority as listed above.

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

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the bank balance of the Township's deposits (money market, checking accounts, savings accounts, and certificates of deposit) is \$4,274,950, of which \$2,000,000 is covered by insurance. The remaining \$2,274,950 is uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Custodial Credit Risk of Investments

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

Type of investment	Carrying value	How held
Certificates of deposit	\$ 1,553,616	Counterparty
Local government bonds	702,428	Counterparty
Pooled investments with a Michigan public sector joint investment program	1,726,287	Counterparty
<b>Total</b>	<b>\$ 3,982,331</b>	

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

### Concentration of Credit Risk

According to the Township's investment policy, unreasonable risk inherent in over-investing in specific instruments, individual financial institutions or maturities are to be avoided. Of the Township's investments, more than 5 percent are in the following:

Certificates of deposit	39.0 %
Local government bonds	17.6 %
Pooled investments with a Michigan public sector joint investment program	43.4 %

### Fair Value Hierarchy

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the Township as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 1,553,616	\$ -	\$ -	\$ 1,553,616
Local government bonds	702,428	-	-	702,428
Pooled investments with a Michigan public sector joint investment program	1,726,287	-	-	1,726,287
Totals	\$ 3,982,331	\$ -	\$ -	\$ 3,982,331

### **Local Government Investment Pool**

The Authority is a voluntary participant in Michigan Class. Michigan CLASS is an interlocal investment program created by an interlocal agreement of various Michigan public agencies of government for the purpose of jointly investing surplus funds of the participant public agencies of government. Pursuant to the Participation Agreement and as authorized by the Urban Cooperation Act of 1967, 1967(Ex Sess) PA 7, a Board of Trustees was created to hold title to investments on behalf of each Participant. Public Trust Advisors, LLC, the manager of the trust is registered with the SEC.

Michigan CLASS imposes no limitation or restrictions on participant withdrawals.

Michigan CLASS measures its investments at fair value in accordance with Paragraph 41 of Statement 79 and Paragraph 11 of Statement 31, and therefore a Participant's investment in Michigan CLASS is not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a(2) of Statement 72.

### Credit Quality

Michigan CLASS is rated by S&P Global Ratings. The current rating is AAAM.

### Counterparty Risk

Counterparty risk is the risk that the counterparty or a third party will not fulfill its obligation to Michigan CLASS.

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

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### Interest Rate Risk

Interest rate risk is the risk that the value of fixed-income securities will generally decline as prevailing interest rates rise, which may cause Michigan CLASS's net asset value (NAV) to likewise decrease, and vice versa.

The dollar weighted average days to maturity (WAM) of Michigan CLASS at June 30, 2020, is 54 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of Michigan CLASS at June 30, 2020, is 72 days.

### Market Risk

Market risk is the daily potential for an investor to experience losses from fluctuations in securities prices. Market risk cannot be diversified away.

### Credit Risk

Credit Risk is the risk an issuer will be unable to make principal and interest payments when due, or will default on its obligations

Michigan CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques. Michigan CLASS limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. Michigan CLASS's policy is to limit its exposure to any non-government issuer to 5% of net assets.

## **NOTE 4 - RECEIVABLES**

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

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Property taxes	\$ 1,122,314	\$ -
Accounts receivable	26,165	298,968
Special assessments receivable	-	99,458
Net receivables	\$ 1,148,479	\$ 398,426

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

### **NOTE 5 - CAPITAL ASSETS**

Capital assets activity of the primary government for the current year was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets, not being depreciated				
Land	\$ 574,059	\$ 1,272,465	\$ -	\$ 1,846,524
Capital assets, being depreciated				
Buildings	1,882,903	-	-	1,882,903
Land improvements	426,120	97,965	-	524,085
Equipment	552,683	1,875	31,522	523,036
Software	12,706	-	-	12,706
Intangible	11,950	-	-	11,950
<b>Total capital assets, being depreciated</b>	<b>2,886,362</b>	<b>99,840</b>	<b>31,522</b>	<b>2,954,680</b>
Less accumulated depreciation for:				
Buildings	1,088,851	39,233	-	1,128,084
Land improvements	306,815	17,938	18,200	306,553
Equipment	274,642	43,644	14,465	303,821
Software	12,706	-	-	12,706
Intangible	10,755	1,195	-	11,950
<b>Total accumulated depreciation</b>	<b>1,693,769</b>	<b>102,010</b>	<b>32,665</b>	<b>1,763,114</b>
<b>Total capital assets being depreciated, net</b>	<b>1,192,593</b>	<b>(2,170)</b>	<b>(1,143)</b>	<b>1,191,566</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 1,766,652</b>	<b>\$ 1,270,295</b>	<b>\$ (1,143)</b>	<b>\$ 3,038,090</b>

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets, not being depreciated				
Land	\$ 8,969	\$ -	\$ -	\$ 8,969
Capital assets, being depreciated				
Mains	12,603,742	527,555	1,162	13,130,135
Equipment	663,600	69,391	95,910	637,081
Pumping stations	579,104	-	-	579,104
<b>Total capital assets, being depreciated</b>	<b>13,846,446</b>	<b>596,946</b>	<b>97,072</b>	<b>14,346,320</b>
Less accumulated depreciation for:				
Mains	4,254,476	324,996	279	4,579,193
Equipment	426,487	25,343	87,111	364,719
Pumping stations	237,468	13,651	-	251,119
<b>Total accumulated depreciation</b>	<b>4,918,431</b>	<b>363,990</b>	<b>87,390</b>	<b>5,195,031</b>
<b>Total capital assets being depreciated, net</b>	<b>8,928,015</b>	<b>232,956</b>	<b>9,682</b>	<b>9,151,289</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 8,936,984</b>	<b>\$ 232,956</b>	<b>\$ 9,682</b>	<b>\$ 9,160,258</b>



# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental activities:	
General government	\$ 23,919
Public safety	34,500
Public works	14,958
Community and economic development	3,048
Recreation and culture	25,585
<b>Total depreciation expense - governmental activities</b>	<b>\$ 102,010</b>
Business-type activities:	
Sewer	\$ 158,872
Water	205,118
<b>Total depreciation expense - business-type activities</b>	<b>\$ 363,990</b>

### **NOTE 6 - INTERFUND TRANSFERS**

The composition of interfund transfers for the year ended December 31, 2020 is as follows:

Interfund transfers:

<b>Transfers In Fund:</b>	<b>Transfers Out Fund:</b>			
	<b>General</b>	<b>Sewer</b>	<b>Water</b>	<b>Total</b>
2013 GO Debt Service	\$ 204,835	\$ 17,049	\$ 119,341	\$ 341,225
2004 Capital Improvement Debt	-	4,974	7,461	12,435
Capital Improvement Construction	750,000	-	-	750,000
<b>Total</b>	<b>\$ 954,835</b>	<b>\$ 22,023</b>	<b>\$ 126,802</b>	<b>\$ 1,103,660</b>

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

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

### NOTE 7 - LONG-TERM DEBT

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

Bond and contractual obligation activity, for the year ended December 31, 2020, can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2013 Capital Improvement and Refunding Bonds	\$ 2,080,000	\$ -	\$ 290,000	\$ 1,790,000	\$ 295,000
Premium	81,756	-	9,084	72,672	-
<b>Totals</b>	<b>\$ 2,161,756</b>	<b>\$ -</b>	<b>\$ 299,084</b>	<b>\$ 1,862,672</b>	<b>\$ 295,000</b>

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

Year ending December 31,	Bonds		
	Principal	Interest	Total
2021	\$ 295,000	\$ 43,663	\$ 338,663
2022	330,000	35,850	365,850
2023	325,000	27,662	352,662
2024	320,000	19,600	339,600
2025	320,000	10,800	330,800
2026 to 2028	200,000	9,150	209,150
<b>Totals</b>	<b>\$ 1,790,000</b>	<b>\$ 146,725</b>	<b>\$ 1,936,725</b>

Description	Balance
Governmental activities	
General obligation bonds	
2013 General Obligation Capital Improvement and Refunding Bonds; payable in annual installments of \$65,000 to \$330,000 through April 1, 2028 with interest payable semi-annually at 2.00% to 3.00%.	\$ 1,790,000

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

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### **NOTE 8 - FUND BALANCE**

Fund balances of the governmental funds are classified as follows:

- Nonspendable--Resources that cannot be spent either because they are a) not in spendable form or; b) legally or contractually required to be maintained intact.
- Restricted--Resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed--Resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.
- Assigned--Resources neither restricted nor committed for which a government has a stated intended use as established by the Township Board or a body or official to which the Township Board has delegated the authority to assign amounts for specific purposes.
- Unassigned--Resources that cannot be properly classified in one of the other four categories.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 15). As discussed in Note 1, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by Board or the Assignment has been changed by the Supervisor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

The General Fund's entire fund balance of \$3,081,540 is Unassigned.

The Transportation Fund's entire fund balance is Reserved as the property tax revenues raised for this activity is legally restricted to providing public transportation services.

The fund balance of the Capital Improvement fund is Assigned as it is the Board's stated intended use is to provide capital improvements for Township services.

The METRO Act Fund's entire fund balance is Reserved as the revenues raised for this activity is legally restricted to providing public right-of-way improvements.

The General Obligation Bond Debt Fund's entire fund balance is Reserved as the revenues raised for repaying the long-term debt is legally restricted.

### **NOTE 9 - SUBSEQUENT EVENTS**

Management evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation was performed through June 25, 2021, the date the financial statements were approved for issuance. There were subsequent events that should be accounted for or require disclosure in the accompanying financial statements.

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

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### **NOTE 10 - RISK MANAGEMENT**

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

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

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

### **NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

#### Defined Contribution Pension Plan

Pere Marquette Charter Township provides pension benefits to its Administrative Officials, Township Board Trustees, Deputies to Administrative Officials, and full-time employees through a defined contribution plan. The plan is administered by the Municipal Employees Retirement System (MERS). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment (or other date). As established under Internal Revenue Service code 403(b), Pere Marquette Charter Township contributes up to \$500 per year for Board Trustees and 12 percent of wages for all other covered employees, vested after one year.

Pere Marquette Charter Township's total payroll during the current year was \$826,075. The current year contribution was calculated based on covered payroll of \$669,597, resulting in an employer contribution of \$81,089.

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2020

### **NOTE 12 - PROPERTY TAX ABATEMENTS**

Act 198, the Plant Rehabilitation and Industrial Development District Act, was adopted in the State of Michigan as a means of providing a stimulus in the form of significant tax incentives to industry for the purpose of creating new jobs and maintaining existing jobs. It allows an obsolete property, when replaced or restored, to have its assessed value frozen at the level prior to the improvement for a maximum of twelve years; and new plants to receive a fifty percent exemption from property tax on the taxable value of new real and personal properties, also for a maximum period of twelve years. It is the goal of Pere Marquette Charter Township to provide tax incentives that will encourage industries to maintain and create high quality light manufacturing, professional and management jobs while preserving the Township's environment and quality of life. In order to achieve these goals, the Township will initially approve an abatement for two years to a qualified applicant. The certificate may be extended for the remaining number of years, up to a total of twelve years on real property and a total of six years on personal property following compliance review. The recommendation for extension will be based upon the company's achievement of capital investment and job creation/retention goals established by the original application.

The responsibility of the Township Board of Pere Marquette Charter Township is to establish the necessary districts as provided by law; to ascertain that the abatements considered will be to the benefit of the residents of the Township; to find that the issuance of any certificate will not substantially impede "the operation of the local government unit or impair the financial soundness of a taxing unit..."; to find the property being considered to be obsolete; and to approve the granting of exemption certificates. The Pere Marquette Charter Township Board is desirous of continuing to provide opportunity for industrial development and expansion, and hence the creation or retention of jobs for its residents. The Board also recognizes its responsibility to the community to maintain services and uphold the quality of life. A Tax Abatement Review Board has been established to assist in evaluating all tax abatement applications for the impact the proposed project will have on the Township's services and to recommend to the Township Board a course of action based upon said evaluation. The Tax Abatement Review Board shall consist of one Township Board Member, the Township Assessor and a representative of the community.

The Township Board has adopted Guidelines and Policies for the Review and Establishment of Tax Abatements Granted Under Act 198 of 1974.

The Guidelines provide for the following:

- Establishment of District
- Application for Industrial Facilities Exemption Certificate
- Township Board guidelines for all applications
- Compliance Audit

The Tax Abatement Review Board evaluates each application and completes an evaluation and worksheet containing a point scoring system to determine the duration of abatement and makes its recommendation to the Township Board.

During the year, abatements were in place on four parcels of real property with a taxable value of \$3,986,398 and three parcels of personal property with a total taxable value of \$492,300 totaling \$4,478,698. The Township's property tax on these abated properties would have been approximately \$6,382 in the General Fund and \$448 in the Transportation Fund.

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## **REQUIRED SUPPLEMENTAL INFORMATION**

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# Pere Marquette Charter Township

## General Fund

### Budgetary Comparison Schedule

For the year ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property	\$ 1,935,400	\$ 2,024,500	\$ 1,951,142	\$ (73,358)
Industrial Facilities	6,000	6,000	6,382	382
Payment in Lieu of Taxes	235	235	249	14
Penalties and Interest on Taxes	1,500	1,500	1,173	(327)
Trailer Tax	260	260	236	(24)
Property Tax Administration Fee	247,116	292,000	292,872	872
<b>Total taxes</b>	<b>2,190,511</b>	<b>2,324,495</b>	<b>2,252,054</b>	<b>(72,441)</b>
Licenses and Permits				
Business Licenses	20,000	40,000	40,368	368
Intergovernmental				
State Grants	15,000	40,000	37,429	(2,571)
State Revenue Sharing	204,000	204,000	210,305	6,305
<b>Total Intergovernmental</b>	<b>219,000</b>	<b>244,000</b>	<b>247,734</b>	<b>3,734</b>
Charges for Services				
Services Rendered	13,375	13,375	20,193	6,818
Use and Admission Fees	147,000	165,000	165,668	668
<b>Total Charges for Services</b>	<b>160,375</b>	<b>178,375</b>	<b>185,861</b>	<b>7,486</b>
Fines and Forfeits				
Fines and Forfeitures	150	150	-	(150)
Interest and Rents				
Investment Earnings	50,000	89,000	94,160	5,160
Rent	24,600	24,600	21,970	(2,630)
<b>Total Interest and Rents</b>	<b>74,600</b>	<b>113,600</b>	<b>116,130</b>	<b>2,530</b>
Other Revenue				
Reimbursements	32,000	42,000	68,485	26,485
Other	3,000	3,000	8,938	5,938
<b>Total Other Revenue</b>	<b>35,000</b>	<b>45,000</b>	<b>77,423</b>	<b>32,423</b>
<b>Total revenues</b>	<b>2,699,636</b>	<b>2,945,620</b>	<b>2,919,570</b>	<b>(26,050)</b>



# Pere Marquette Charter Township

## General Fund

### Budgetary Comparison Schedule

For the year ended December 31, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
<b>EXPENDITURES</b>				
Current				
General Government				
Township Board	\$ 96,950	\$ 88,200	\$ 85,610	\$ 2,590
Supervisor	84,235	99,190	97,530	1,660
Administrator	30,876	30,876	12,520	18,356
Clerk	94,977	103,925	96,359	7,566
Data Processing	10,600	5,600	1,400	4,200
Board of Review	2,500	2,500	1,559	941
Tax Abatement Review Board	250	250	-	250
Treasurer	65,005	66,005	63,672	2,333
Assessor	108,255	101,650	91,580	10,070
Elections	34,200	28,700	20,334	8,366
Buildings and Grounds	158,400	132,400	105,865	26,535
Total General Government	686,248	659,296	576,429	82,867
Public Safety				
Fire Department	219,740	214,440	193,634	20,806
Building Inspection Department	53,375	46,075	21,643	24,432
Total Public Safety	273,115	260,515	215,277	45,238
Public Works				
Cemetery	2,800	2,800	-	2,800
Department of Public Works	152,140	165,640	161,292	4,348
Highways, Streets, Bridges	250,000	217,000	216,720	280
Street Lighting	50,000	40,000	22,296	17,704
Refuse Collection	200,000	200,000	194,464	5,536
Total Public Works	654,940	625,440	594,772	30,668
Community and Economic Development				
Planning	13,650	13,650	4,756	8,894
Zoning	63,600	68,600	60,795	7,805
Total Community and Economic Development	77,250	82,250	65,551	16,699

# Pere Marquette Charter Township

## General Fund

### Budgetary Comparison Schedule

For the year ended December 31, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
Recreation and Culture				
Parks and Recreation	\$ 259,000	\$ 269,000	\$ 265,016	\$ 3,984
Other				
Employee Fringe Benefits	244,850	223,010	213,941	9,069
Retirement	62,000	68,680	68,340	340
Social Security	57,000	59,935	55,943	3,992
Tax Tribunal Refunds	5,000	5,000	337	4,663
<b>Total Other</b>	<b>368,850</b>	<b>356,625</b>	<b>338,561</b>	<b>18,064</b>
<b>Total expenditures</b>	<b>2,319,403</b>	<b>2,253,126</b>	<b>2,055,606</b>	<b>197,520</b>
Excess (deficiency) of revenues over expenditures	380,233	692,494	863,964	171,470
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Assets	-	22,000	22,101	101
Transfers out	(380,233)	(954,835)	(954,835)	-
<b>Total other financing sources (uses)</b>	<b>(380,233)</b>	<b>(932,835)</b>	<b>(932,734)</b>	<b>101</b>
Net change in fund balances	-	(240,341)	(68,770)	171,571
Fund balance-beginning	3,150,310	3,150,310	3,150,310	-
<b>Fund balance-ending</b>	<b>\$ 3,150,310</b>	<b>\$ 2,909,969</b>	<b>\$ 3,081,540</b>	<b>\$ 171,571</b>

# Pere Marquette Charter Township

## Transportation Fund

### Budgetary Comparison Schedule

For the year ended December 31, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$ 126,000	\$ 126,000	\$ 137,434	\$ 11,434
<b>EXPENDITURES</b>				
Transportation	159,900	159,900	122,344	37,556
Tax Tribunal Refunds	100	100	-	100
Total expenditures	160,000	160,000	122,344	37,656
Excess (deficiency) of revenues over expenditures	(34,000)	(34,000)	15,090	49,090
Net change in fund balances	(34,000)	(34,000)	15,090	49,090
Fund balances-beginning	153,583	153,583	153,583	-
Fund balances-ending	\$ 119,583	\$ 119,583	\$ 168,673	\$ 49,090

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## **OTHER SUPPLEMENTAL INFORMATION**

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# Pere Marquette Charter Township

## Nonmajor Governmental Funds

### Combining Balance Sheet

December 31, 2020

	Special Revenue		Debt Service		Capital Projects	Total Nonmajor Governmental Funds
	METRO Act Fund	2013 General Obligation Debt Service	GO Bond Debt Fund	2004 Construction Fund		
<b>ASSETS</b>						
Cash and investments	\$ 72,260	\$ -	\$ 30,456	\$ -	\$ 102,716	
<b>FUND BALANCES</b>						
Restricted						
Right of way improvements	\$ 72,260	\$ -	\$ -	\$ -	\$ 72,260	
Debt service	-	-	30,456	-	30,456	
<b>Total fund balances</b>	<b>\$ 72,260</b>	<b>\$ -</b>	<b>\$ 30,456</b>	<b>\$ -</b>	<b>\$ 102,716</b>	

# Pere Marquette Charter Township

## Nonmajor Governmental Funds

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the year ended December 31, 2020

	Special Revenue		Debt Service		Capital Projects	Total Nonmajor Governmental Funds
	METRO Act Fund	2013 General Obligation Debt Service	GO Bond Debt Fund	2004 Construction Fund		
<b>REVENUES</b>						
Intergovernmental	\$ 4,880	\$ -	\$ -	\$ -	\$ 4,880	
Other	-	-	7,951	-	7,951	
<b>Total revenues</b>	<b>4,880</b>	<b>-</b>	<b>7,951</b>	<b>-</b>	<b>12,831</b>	
<b>EXPENDITURES</b>						
Debt service:						
Principal	-	290,000	-	-	290,000	
Interest and fees	-	51,225	-	-	51,225	
Capital outlay	-	-	-	69,391	69,391	
<b>Total expenditures</b>	<b>-</b>	<b>341,225</b>	<b>-</b>	<b>69,391</b>	<b>410,616</b>	
Excess (deficiency) of revenues over expenditures	4,880	(341,225)	7,951	(69,391)	(397,785)	
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	-	341,225	-	12,435	353,660	
Net changes in fund balances	4,880	-	7,951	(56,956)	(44,125)	
Fund balances-beginning	67,380	-	22,505	56,956	146,841	
<b>Fund balances-ending</b>	<b>\$ 72,260</b>	<b>\$ -</b>	<b>\$ 30,456</b>	<b>\$ -</b>	<b>\$ 102,716</b>	

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## **AUDITORS' COMMUNICATION**

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2496 84th Street SW  
Byron Center, MI 49315  
Phone (616) 583-0094

Email: doug@wohlbergcpa.com

## AUDITORS' COMMUNICATION OF SIGNIFICANT MATTERS WITH THOSE CHARGED WITH GOVERNANCE

June 25, 2021

To the Township Board  
Pere Marquette Charter Township

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pere Marquette Charter Township for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 1, 2021. 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 Pere Marquette Charter Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit 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 estimate affecting the basic financial statements was:

Management's estimate of the lives of capital assets is based on management's experience and estimates. We evaluated the key factors and assumptions used to develop the lives of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

#### *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, none 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. The following material misstatements detected as a result of audit procedures were corrected by management:

\$73,639 to decrease property taxes receivable in the General Fund  
\$600,000 to record the in-kind contribution from Dow Chemical for the park land

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 25, 2021.

*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 governmental unit'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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management discussion and analysis, which is 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 statement, 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 nonmajor fund statements 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 use of the Township Board and management of Pere Marquette Charter Township and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Douglas Wohlberg, CPA  
Byron Center, Michigan