

**AUDITED FINANCIAL STATEMENTS  
REQUIRED SUPPLEMENTAL INFORMATION  
OTHER FINANCIAL INFORMATION  
AND SUPPLEMENTAL REPORTS**

**TOWNSHIP OF BERGLAND  
ONTONAGON COUNTY, MICHIGAN**

**March 31, 2023**

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**INDEPENDENT AUDITOR'S REPORT**

To the Supervisor and Members of the Board  
Township of Bergland  
Bergland, Michigan

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Township of Bergland as of and for the year ended March 31, 2023, and the financial statements for the business-type activities as of and for the year ended March 31, 2022, and the related notes to the financial statements which collectively comprise the Township of Bergland's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Township of Bergland as of March 31, 2023, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended and the financial statements for the business-type activities as of and for the year ended March 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

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

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

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

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

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

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

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

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

### ***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Financial Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Bergland's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Financial Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2023, on our consideration of the Township of Bergland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Township of Bergland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Bergland's internal control over financial reporting and compliance.

*Makela, Pollock + Ahonen, PLLC*

Certified Public Accountants

Ironwood, Michigan  
December 4, 2023

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## TOWNSHIP OF BERGLAND

Year ended March 31, 2023

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### **Management's Discussion and Analysis**

This section of the Township of Bergland's (Township) annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2023. It is to be read in conjunction with the Township's financial statements, which immediately follow and is intended to provide the financial results for the fiscal year ended March 31, 2023.

### **Government-wide Financial Statements**

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net position and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual method of accounting which is the accounting method used by most private sector businesses. The statement of net position includes all of the Township's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental and business-type activities of the Township that include all services performed by the Township. These activities are funded primarily by property taxes, charges for services, state grants and other revenues.

The statement of net position reports the Township's assets and liabilities. The corresponding balance between the assets and liabilities equals the net position of the Township. This statement measures the financial strength of the Township; the greater the net position figure, the healthier the financial position of the Township generally is. It helps management determine if the Township will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net position on a revenue less expense basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net position (or reduces a deficit) available to fund future needs of the Township.

### **Fund Financial Statements**

The Township's fund financial statements show a detail of funds that are determined to be significant, called major funds. The funds that are separately stated as major funds are the General Fund, Water Supply System Fund and Sanitary Sewage Disposal System Fund. The Township has two nonmajor funds; the Cemetery Fund and Fire Fund.

Governmental funds are accounted for by the modified accrual method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting. The individual fund statements help management determine what financial resources are available on a short-term basis to fund operations.

Since the government-wide financial statements and the fund financial statements use different methods of accounting to report the Township's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds.

The Tax Collection Fund is reported in the fiduciary fund financial statement, but is excluded from the government-wide reporting. The fiduciary fund financial statement reports resources that are for the benefit of other Township funds, other governmental units and other non-related entities.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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**Government-wide Financial Statements – Condensed Financial Information**

**Statement of Net Position**

The following are condensed statements of net position with a detailed analysis of the statements below.

	<b><u>March 31, 2023</u></b>	
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 357,703	\$ 262,137
Receivables	12,842	52,297
Inventory and prepaid expenses	5,332	7,483
Internal balances	<u>35,303</u>	<u>(35,303)</u>
Total Current Assets	\$ 411,180	\$ 286,614
Noncurrent Assets:		
Restricted cash		\$ 364,287
Capital assets, net of accumulated depreciation	<u>\$ 236,548</u>	<u>3,220,584</u>
Total Noncurrent Assets	<u>\$ 236,548</u>	<u>\$ 3,584,871</u>
Total Assets	<u><u>\$ 647,728</u></u>	<u><u>\$ 3,871,485</u></u>
<b>LIABILITIES</b>		
Current liabilities	\$ 3,087	\$ 90,233
Long-term liabilities, net of current portion	<u>                    </u>	<u>1,841,000</u>
Total Liabilities	<u><u>\$ 3,087</u></u>	<u><u>\$ 1,931,233</u></u>
<b>NET POSITION</b>		
Investment in capital assets, net of related debt	\$ 236,548	\$ 1,332,584
Restricted	79,385	364,287
Unrestricted	<u>328,708</u>	<u>243,381</u>
Total Net Position	<u><u>\$ 644,641</u></u>	<u><u>\$ 1,940,252</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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**Government-wide Financial Statements – Condensed Financial Information**

**Statement of Net Position (Continued)**

	<b><u>March 31, 2022</u></b>	
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 408,220	\$ 201,701
Receivables	28,888	44,648
Inventory and prepaid expenses	<u>5,587</u>	<u>7,893</u>
Total Current Assets	\$ 442,695	\$ 254,242
Noncurrent Assets:		
Restricted cash		\$ 374,945
Capital assets, net of accumulated depreciation	<u>\$ 205,232</u>	<u>3,221,390</u>
Total Noncurrent Assets	\$ 205,232	\$ 3,596,335
Total Assets	<u>\$ 647,927</u>	<u>\$ 3,850,577</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 7,205	\$ 74,960
Long-term liabilities, net of current portion	<u>                    </u>	<u>1,888,000</u>
Total Liabilities	<u>\$ 7,205</u>	<u>\$ 1,962,960</u>
<b>NET POSITION</b>		
Investment in capital assets, net of related debt	\$ 205,232	\$ 1,287,390
Restricted for debt service	79,346	374,945
Unrestricted	<u>356,144</u>	<u>225,282</u>
Total Net Position	<u>\$ 640,722</u>	<u>\$ 1,887,617</u>

The Township's total net position is \$2,584,893 at March 31, 2023. Capital assets, net of related debt, are \$1,569,132. This figure is derived by taking the original cost of the Township's capital assets, subtracting accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Government-wide Financial Statements – Condensed Financial Information (Continued)**

**Statement of Net Position (Continued)**

Restricted net position totals \$443,672 at March 31, 2023. \$79,385 is restricted due to a property tax levy for Township repairs and improvements and \$364,287 by enterprise fund bond ordinances.

The total unrestricted net position is \$572,089 at March 31, 2023. This is the net accumulated result of the current and past years' operations. The nature of the Township's operations is based on property taxes, charges for services, state aid, federal grants and local funds received to fund various programs. The balance in the unrestricted net position shows that the Township has an ample amount of assets to fund liabilities at March 31, 2023.

**Statement of Activities**

The results of operations for the Township as a whole are reported in the statement of activities. This statement reports the changes in net position for the fiscal year.

		<b><u>Year ended March 31, 2023</u></b>	
		<b><u>Governmental</u></b>	<b><u>Business-Type</u></b>
		<b><u>Activities</u></b>	<b><u>Activities</u></b>
Revenue:			
Program Revenues:			
Charges for services	\$	25,226	\$ 297,080
Operating grants and contributions		6,253	
General Revenues:			
Taxes		94,490	
State and federal grants		50,544	34,271
Interest and rents		248	442
Other		<u>23,497</u>	<u>          </u>
	Total Revenue	\$ 200,258	\$ 331,793
Program expenses:			
Governmental activities	\$	196,339	
Business-type activities		<u>          </u>	<u>\$ 279,158</u>
		<u>\$ 196,339</u>	<u>\$ 279,158</u>
	Change in Net Position	<u>\$ 3,919</u>	<u>\$ 52,635</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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**Government-wide Financial Statements – Condensed Financial Information (Continued)**

**Statement of Activities (Continued)**

	<b><u>Year ended March 31, 2022</u></b>	
	<b><u>Governmental</u></b>	<b><u>Business-Type</u></b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>
Revenue:		
Program Revenues:		
Charges for services	\$ 28,179	\$ 287,157
Operating grants and contributions	5,424	
General Revenues:		
Taxes	89,964	
State and federal grants	49,448	
Interest and rents	8,396	2,342
Other	<u>45,872</u>	<u>          </u>
Total Revenue	\$ 227,283	\$ 289,499
Program expenses:		
Governmental activities	\$ 167,708	
Business-type activities	<u>          </u>	<u>\$ 255,651</u>
	<u>\$ 167,708</u>	<u>\$ 255,651</u>
Change in Net Position	<u>\$ 59,575</u>	<u>\$ 33,848</u>

The Township had an overall increase in net position of \$56,554 for the year ended March 31, 2023, consisting of an increase in governmental activities of \$3,919 and an increase in business-type activities of \$52,635. The Township's revenues totaled \$532,051.

The Township's total cost to fund governmental activities was \$196,339, and business-type activities was \$279,158 for the year ended March 31, 2023. A majority of these costs were funded by property taxes, grants and charges for services. This shows the Township has reliance on property taxes and grants to provide future funding for its programs and administrative costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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**Government-wide Financial Statements – Condensed Financial Information (Continued)**

**Major Individual Funds**

An analysis of balances and transactions of major individual fund balances or net position follows:

	Fund Balance/ Net Position at <u>April 1, 2022</u>	<u>Revenues</u>	Expenditures/ <u>Expenses</u>	Fund Balance/ Net Position at <u>March 31, 2023</u>
General Fund	\$ 337,541	\$ 177,869	\$ 192,929	\$ 322,481
Water Supply System Fund	436,923	109,101	69,746	476,278
Sanitary Sewage Disposal System Fund	<u>1,450,694</u>	<u>222,692</u>	<u>209,412</u>	<u>1,463,974</u>
	<u>\$ 2,225,158</u>	<u>\$ 509,662</u>	<u>\$ 472,087</u>	<u>\$ 2,262,733</u>

**Governmental Fund Budgetary Items**

A schedule showing the Township's General Fund original budget, final budget and actual results are included as required supplemental information in the financial section of the audit report. Significant budget amendments during the year included the General Fund increasing grant revenues as the original budgeted revenue was based on the prior year. Also, expenditures were increased from the original budget. The Township General Fund did not exceed its budget as reported in Note B to the financial statements.

**Capital Assets**

At March 31, 2023, the Township had \$3,457,132 invested in capital assets net of accumulated depreciation. This amount increased during the past fiscal year by \$30,510, including additions of \$155,277 and \$124,767 of depreciation charges.

**Debt**

At March 31, 2023, the Township had \$1,888,000 of outstanding revenue bonds payable as described in Note G to the financial statements, with \$47,000 due in the year ending March 31, 2024.

**Future Considerations**

The Township is exploring grants and loans for funding various potential projects including fire department equipment and vehicles, a new fire hall, and ADA compliance updates in the park and campground.

**Contacting the Township**

If you have any questions about this report or need additional information, contact the Township offices at Township of Bergland, P.O. Box 326, Bergland, MI 49910; telephone number (906) 575-3522.

BASIC  
FINANCIAL  
STATEMENTS

## STATEMENT OF NET POSITION

## TOWNSHIP OF BERGLAND

March 31, 2023

	Governmental Activities	Business-Type Activities
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 357,703	\$ 262,137
Receivables:		
Delinquent property taxes	5,834	
Accounts	7,008	52,297
Prepaid expenses	5,332	3,147
Inventory		4,336
Internal balances	<u>35,303</u>	<u>(35,303)</u>
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 411,180</b>	<b>\$ 286,614</b>
<b>NONCURRENT ASSETS</b>		
Restricted cash		\$ 364,287
Capital assets, net of accumulated depreciation	<u>\$ 236,548</u>	<u>3,220,584</u>
<b>TOTAL NONCURRENT ASSETS</b>	<b>\$ 236,548</b>	<b>\$ 3,584,871</b>
<b>TOTAL ASSETS</b>	<b><u>\$ 647,728</u></b>	<b><u>\$ 3,871,485</u></b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,203	\$ 28,656
Payroll taxes	1,884	
Unearned revenue		7,450
Accrued interest		7,127
Current portion of revenue bonds payable		<u>47,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 3,087</b>	<b>\$ 90,233</b>
<b>LONG-TERM LIABILITIES</b>		
Revenue bonds payable, less current portion		<u>1,841,000</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 3,087</u></b>	<b><u>\$ 1,931,233</u></b>
<b>NET POSITION</b>		
Investment in capital assets, net of related debt	\$ 236,548	\$ 1,332,584
Restricted	79,385	364,287
Unrestricted	<u>328,708</u>	<u>243,381</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 644,641</u></b>	<b><u>\$ 1,940,252</u></b>

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

## STATEMENT OF ACTIVITIES

## TOWNSHIP OF BERGLAND

Year ended March 31, 2023

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Legislative	\$ 4,870			\$ (4,870)		\$ (4,870)
General government	149,000	\$ 2,562	\$ 6,253	(140,185)		(140,185)
Public safety	23,462	2,531		(20,931)		(20,931)
Public works	4,851			(4,851)		(4,851)
Recreation and culture	9,599	20,133		10,534		10,534
Other functions	<u>4,557</u>			<u>(4,557)</u>		<u>(4,557)</u>
Total Governmental Activities	\$ 196,339	\$ 25,226	\$ 6,253	\$ (164,860)		\$ (164,860)
Business-type activities:						
Water Supply System Fund	\$ 69,746	\$ 74,701			\$ 4,955	\$ 4,955
Sanitary Sewage Disposal System Fund	<u>209,412</u>	<u>222,379</u>			<u>12,967</u>	<u>12,967</u>
Total Business-Type Activities	\$ 279,158	\$ 297,080			\$ 17,922	\$ 17,922
Total	<u>\$ 475,497</u>	<u>\$ 322,306</u>	<u>\$ 6,253</u>	\$ (164,860)	\$ 17,922	\$ (146,938)
General revenues:						
Taxes				\$ 94,490		\$ 94,490
State grants				50,544		50,544
Federal grants					\$ 34,271	34,271
Interest and rents				248	442	690
Other				<u>23,497</u>		<u>23,497</u>
Total General Revenues				\$ 168,779	\$ 34,713	\$ 203,492
Change in Net Position				\$ 3,919	\$ 52,635	\$ 56,554
Net position at April 1, 2022				\$ 640,722	\$ 1,887,617	\$ 2,528,339
Net position at March 31, 2023				<u>\$ 644,641</u>	<u>\$ 1,940,252</u>	<u>\$ 2,584,893</u>

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



COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS

TOWNSHIP OF BERGLAND

March 31, 2023

	Major Fund	Nonmajor Governmental Funds		Total
	General	Fire Fund	Cemetery Fund	Governmental Funds
<b>ASSETS</b>				
Cash	\$ 295,427	\$ 6,262	\$ 56,014	\$ 357,703
Accounts receivable:				
Delinquent property taxes	5,834			5,834
State of Michigan	7,008			7,008
Prepaid expenses	5,332			5,332
Due from other funds	<u>48,333</u>	<u>9,365</u>	<u>13,971</u>	<u>71,669</u>
	<u>\$ 361,934</u>	<u>\$ 15,627</u>	<u>\$ 69,985</u>	<u>\$ 447,546</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities:				
Accounts payable	\$ 1,203			\$ 1,203
Due to other funds	36,366			36,366
Payroll taxes	<u>1,884</u>			<u>1,884</u>
Total Liabilities	\$ 39,453	\$ 0	\$ 0	\$ 39,453
Fund equity:				
Fund balances:				
Nonspendable	\$ 5,332			\$ 5,332
Assigned:				
Subsequent year expenditures	62,920			62,920
Parks and recreation	20,133			20,133
Fire protection		\$ 15,627		15,627
Cemetery upkeep			\$ 69,985	69,985
Restricted - repairs and improvements	79,385			79,385
Unassigned	<u>154,711</u>			<u>154,711</u>
	<u>\$ 322,481</u>	<u>\$ 15,627</u>	<u>\$ 69,985</u>	<u>\$ 408,093</u>
	<u>\$ 361,934</u>	<u>\$ 15,627</u>	<u>\$ 69,985</u>	<u>\$ 447,546</u>

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

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
WITH THE STATEMENT OF NET POSITION

TOWNSHIP OF BERGLAND

March 31, 2023

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Total fund equity of governmental funds \$ 408,093

Amounts reported for governmental activities in the statement of net position are different because:

Additions:

Capital assets used in governmental activities are not financial resources and  
therefore are not reported as assets in governmental funds.

Cost of capital assets	\$ 723,900	
Accumulated depreciation	<u>(487,352)</u>	<u>236,548</u>

Total net position of governmental activities \$ 644,641

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

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS

TOWNSHIP OF BERGLAND

Year ended March 31, 2023

	Major Fund	Nonmajor Governmental Funds		Total
	General	Fire Fund	Cemetery Fund	Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 75,844	\$ 9,323	\$ 9,323	\$ 94,490
Licenses and permits	2,531			2,531
Federal grants	6,253			6,253
State grants	49,404	1,140		50,544
Charges for services	21,495		1,200	22,695
Interest and rents	229		19	248
Other revenues	<u>22,113</u>	<u>1,345</u>	<u>39</u>	<u>23,497</u>
	\$ 177,869	\$ 11,808	\$ 10,581	\$ 200,258
<b>Expenditures:</b>				
Current:				
Legislative	\$ 4,870			\$ 4,870
General government	141,053		\$ 4,892	145,945
Public safety	8,795	\$ 11,345		20,140
Public works	4,851			4,851
Recreation and culture	7,386			7,386
Other functions	4,332	120	105	4,557
Capital outlay	<u>21,642</u>	<u>15,832</u>	<u>2,432</u>	<u>39,906</u>
	\$ 192,929	\$ 27,297	\$ 7,429	\$ 227,655
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	\$ (15,060)	\$ (15,489)	\$ 3,152	\$ (27,397)
Fund balances at April 1, 2022	<u>337,541</u>	<u>31,116</u>	<u>66,833</u>	<u>435,490</u>
<b>FUND BALANCES AT MARCH 31, 2023</b>				
	<u>\$ 322,481</u>	<u>\$ 15,627</u>	<u>\$ 69,985</u>	<u>\$ 408,093</u>

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

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

TOWNSHIP OF BERGLAND

March 31, 2023

Net change in fund balance - total governmental funds \$(27,397)

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

Capital outlays to purchase or construct capital assets are reported as expenditures in the governmental funds. For governmental activities, those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeds depreciation expense in the period.

	Capital outlays	\$ 39,906	
	Depreciation expense	<u>(8,590)</u>	31,316

Change in net position of governmental activities \$ 3,919

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

COMBINED STATEMENTS OF NET POSITION - PROPRIETARY FUNDS

TOWNSHIP OF BERGLAND

	March 31, 2023			March 31, 2022		
	Business-Type Activities			Business-Type Activities		
	Enterprise Funds			Enterprise Funds		
	Water Supply System Fund	Sanitary Sewage Disposal System Fund	Totals	Water Supply System Fund	Sanitary Sewage Disposal System Fund	Totals
ASSETS						
CURRENT ASSETS						
Cash	\$ 78,459	\$ 183,678	\$ 262,137	\$ 56,189	\$ 145,512	\$ 201,701
Customer accounts receivable:						
Current	8,063	34,937	43,000	10,051	21,335	31,386
Delinquent accounts added to tax roll	6,657	2,640	9,297	3,793	6,512	10,305
Other				1,180	1,777	2,957
Inventory	2,140	2,196	4,336	2,140	2,196	4,336
Prepaid expenses	1,446	1,701	3,147	1,484	2,073	3,557
Due from other funds	477	13,051	13,528			
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 97,242</b>	<b>\$ 238,203</b>	<b>\$ 335,445</b>	<b>\$ 74,837</b>	<b>\$ 179,405</b>	<b>\$ 254,242</b>
NONCURRENT ASSETS						
Restricted cash	\$ 124,166	\$ 240,121	\$ 364,287	\$ 95,947	\$ 278,998	\$ 374,945
Capital assets	1,219,847	4,473,979	5,693,826	1,183,412	4,395,043	5,578,455
Less accumulated depreciation	(867,690)	(1,605,552)	(2,473,242)	(847,734)	(1,509,331)	(2,357,065)
<b>TOTAL NONCURRENT ASSETS</b>	<b>\$ 476,323</b>	<b>\$ 3,108,548</b>	<b>\$ 3,584,871</b>	<b>\$ 431,625</b>	<b>\$ 3,164,710</b>	<b>\$ 3,596,335</b>
<b>TOTAL ASSETS</b>	<b>\$ 573,565</b>	<b>\$ 3,346,751</b>	<b>\$ 3,920,316</b>	<b>\$ 506,462</b>	<b>\$ 3,344,115</b>	<b>\$ 3,850,577</b>

COMBINED STATEMENTS OF NET POSITION - PROPRIETARY FUNDS (CONTINUED)

TOWNSHIP OF BERGLAND

	March 31, 2023			March 31, 2022		
	Business-Type Activities			Business-Type Activities		
	Enterprise Funds			Enterprise Funds		
	Water Supply System Fund	Sanitary Sewage Disposal System Fund	Totals	Water Supply System Fund	Sanitary Sewage Disposal System Fund	Totals
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 28,558	\$ 98	\$ 28,656	\$ 679	\$ 294	\$ 973
Accrued interest		7,127	7,127		7,127	7,127
Unearned revenue	7,450		7,450	20,860		20,860
Due other funds	18,279	30,552	48,831			
Current portion of long-term debt	<u>5,000</u>	<u>42,000</u>	<u>47,000</u>	<u>5,000</u>	<u>41,000</u>	<u>46,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 59,287</b>	<b>\$ 79,777</b>	<b>\$ 139,064</b>	<b>\$ 26,539</b>	<b>\$ 48,421</b>	<b>\$ 74,960</b>
<b>NONCURRENT LIABILITIES</b>						
Revenue bonds payable	\$ 43,000	\$ 1,845,000	\$ 1,888,000	\$ 48,000	\$ 1,886,000	\$ 1,934,000
Less amount classified as current liability	<u>(5,000)</u>	<u>(42,000)</u>	<u>(47,000)</u>	<u>(5,000)</u>	<u>(41,000)</u>	<u>(46,000)</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>\$ 38,000</b>	<b>\$ 1,803,000</b>	<b>\$ 1,841,000</b>	<b>\$ 43,000</b>	<b>\$ 1,845,000</b>	<b>\$ 1,888,000</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 97,287</b>	<b>\$ 1,882,777</b>	<b>\$ 1,980,064</b>	<b>\$ 69,539</b>	<b>\$ 1,893,421</b>	<b>\$ 1,962,960</b>
<b>NET POSITION</b>						
Investment in capital assets, net of related debt	\$ 309,157	\$ 1,023,427	\$ 1,332,584	\$ 287,678	\$ 999,712	\$ 1,287,390
Restricted	124,166	240,121	364,287	95,947	278,998	374,945
Unrestricted	<u>42,955</u>	<u>200,426</u>	<u>243,381</u>	<u>53,298</u>	<u>171,984</u>	<u>225,282</u>
<b>TOTAL NET POSITION</b>	<b>\$ 476,278</b>	<b>\$ 1,463,974</b>	<b>\$ 1,940,252</b>	<b>\$ 436,923</b>	<b>\$ 1,450,694</b>	<b>\$ 1,887,617</b>

The accompanying notes are an integral part of the financial statements

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

TOWNSHIP OF BERGLAND

	Year ended March 31, 2023			Year ended March 31, 2022		
	Business-Type Activities			Business-Type Activities		
	Enterprise Funds			Enterprise Funds		
	Water Supply System Fund	Sanitary Sewage Disposal System Fund	Totals	Water Supply System Fund	Sanitary Sewage Disposal System Fund	Totals
Operating revenues:						
Charges for services	\$ 74,701	\$ 222,379	\$ 297,080	\$ 71,638	\$ 200,504	\$ 272,142
Hydrant rental				2,000		2,000
Other				11,598	3,417	15,015
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 74,701</b>	<b>\$ 222,379</b>	<b>\$ 297,080</b>	<b>\$ 85,236</b>	<b>\$ 203,921</b>	<b>\$ 289,157</b>
Operating expenses:						
Personnel services	\$ 20,676	\$ 36,379	\$ 57,055	\$ 16,103	\$ 23,199	\$ 39,302
Materials and supplies	12,317	9,538	21,855	4,519	4,427	8,946
Services	14,749	24,839	39,588	22,210	23,447	45,657
Provision for bad debts				545	593	1,138
Provision for depreciation	19,956	96,221	116,177	19,474	95,527	115,001
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 67,698</b>	<b>\$ 166,977</b>	<b>\$ 234,675</b>	<b>\$ 62,851</b>	<b>\$ 147,193</b>	<b>\$ 210,044</b>
<b>OPERATING INCOME</b>	<b>\$ 7,003</b>	<b>\$ 55,402</b>	<b>\$ 62,405</b>	<b>\$ 22,385</b>	<b>\$ 56,728</b>	<b>\$ 79,113</b>
Nonoperating revenues (expenses):						
Interest earned	\$ 129	\$ 313	\$ 442	\$ 76	\$ 266	\$ 342
Federal grant revenue	34,271		34,271			
Debt service interest	(2,048)	(42,435)	(44,483)	(2,272)	(43,335)	(45,607)
<b>CHANGE IN NET POSITION</b>	<b>\$ 39,355</b>	<b>\$ 13,280</b>	<b>\$ 52,635</b>	<b>\$ 20,189</b>	<b>\$ 13,659</b>	<b>\$ 33,848</b>
Net position at April 1, 2022	436,923	1,450,694	1,887,617	416,734	1,437,035	1,853,769
<b>NET POSITION AT MARCH 31, 2023</b>	<b>\$ 476,278</b>	<b>\$ 1,463,974</b>	<b>\$ 1,940,252</b>	<b>\$ 436,923</b>	<b>\$ 1,450,694</b>	<b>\$ 1,887,617</b>

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

COMBINED STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS

TOWNSHIP OF BERGLAND

	<u>Year ended March 31, 2023</u>			<u>Year ended March 31, 2022</u>		
	<u>Business-Type Activities</u>			<u>Business-Type Activities</u>		
	<u>Enterprise Funds</u>			<u>Enterprise Funds</u>		
	<u>Water Supply System Fund</u>	<u>Sanitary Sewage Disposal System Fund</u>	<u>Totals</u>	<u>Water Supply System Fund</u>	<u>Sanitary Sewage Disposal System Fund</u>	<u>Totals</u>
Cash flows from operating activities:						
Cash received from customers	\$ 75,005	\$ 214,426	\$ 289,431	\$ 73,117	\$ 198,474	\$ 271,591
Hydrant rental				2,000		2,000
Cash paid to suppliers and employees	<u>(47,804)</u>	<u>(70,580)</u>	<u>(118,384)</u>	<u>(43,387)</u>	<u>(52,212)</u>	<u>(95,599)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 27,201	\$ 143,846	\$ 171,047	\$ 31,730	\$ 146,262	\$ 177,992
Cash flows from capital and related financing activities:						
Debt service interest paid	\$ (2,048)	\$ (42,435)	\$ (44,483)	\$ (2,272)	\$ (43,335)	\$ (45,607)
Acquisition of property and equipment	(8,435)	(78,936)	(87,371)			
Principal paid on revenue bonds	<u>(5,000)</u>	<u>(41,000)</u>	<u>(46,000)</u>	<u>(5,000)</u>	<u>(40,000)</u>	<u>(45,000)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (15,483)	\$ (162,371)	\$ (177,854)	\$ (7,272)	\$ (83,335)	\$ (90,607)
Cash flows from noncapital financing activities:						
Interfund payments	\$ 17,781	\$ 17,501	\$ 35,282	\$ (3,451)	\$ 3,416	\$ (35)
Federal grants	<u>20,861</u>		<u>20,861</u>	<u>20,860</u>		<u>20,860</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	\$ 38,642	\$ 17,501	\$ 56,143	\$ 17,409	\$ 3,416	\$ 20,825
Cash flows from investing activities - interest earned	<u>129</u>	<u>313</u>	<u>442</u>	<u>76</u>	<u>266</u>	<u>342</u>
NET INCREASE (DECREASE) IN CASH	\$ 50,489	\$ (711)	\$ 49,778	\$ 41,943	\$ 66,609	\$ 108,552
Cash at April 1, 2022	<u>152,136</u>	<u>424,510</u>	<u>576,646</u>	<u>110,193</u>	<u>357,901</u>	<u>468,094</u>
CASH AT MARCH 31, 2023	<u>\$ 202,625</u>	<u>\$ 423,799</u>	<u>\$ 626,424</u>	<u>\$ 152,136</u>	<u>\$ 424,510</u>	<u>\$ 576,646</u>



COMBINED STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

TOWNSHIP OF BERGLAND

	<u>Year ended March 31, 2023</u>			<u>Year ended March 31, 2022</u>		
	<u>Business-Type Activities</u>			<u>Business-Type Activities</u>		
	<u>Enterprise Funds</u>			<u>Enterprise Funds</u>		
	Water Supply System Fund	Sanitary Sewage Disposal System Fund	Totals	Water Supply System Fund	Sanitary Sewage Disposal System Fund	Totals
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 7,003	\$ 55,402	\$ 62,405	\$ 22,385	\$ 56,728	\$ 79,113
Adjustments to reconcile operating income to net cash provided by operating activities:						
Provision for bad debts				\$ 545	\$ 593	\$ 1,138
Provision for depreciation	\$ 19,956	\$ 96,221	\$ 116,177	19,474	95,527	115,001
(Increase) decrease in:						
Customer accounts receivable	304	(7,953)	(7,649)	(10,120)	(5,447)	(15,567)
Prepaid expenses	38	372	410	(453)	(344)	(797)
Increase (decrease) in accounts payable	<u>(100)</u>	<u>(196)</u>	<u>(296)</u>	<u>(101)</u>	<u>(795)</u>	<u>(896)</u>
Total adjustments	\$ <u>20,198</u>	\$ <u>88,444</u>	\$ <u>108,642</u>	\$ <u>9,345</u>	\$ <u>89,534</u>	\$ <u>98,879</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 27,201</u>	<u>\$ 143,846</u>	<u>\$ 171,047</u>	<u>\$ 31,730</u>	<u>\$ 146,262</u>	<u>\$ 177,992</u>
Supplemental schedule of noncash financing activities:						
Equipment financed by accounts payable - unpaid portion at year-end	<u>\$ 28,000</u>					

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

STATEMENT OF FIDUCIARY NET POSITION - TAX COLLECTION FUND

TOWNSHIP OF BERGLAND

March 31, 2023

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ASSETS	
Cash in bank	\$ <u>41,804</u>
LIABILITIES	
Undistributed tax collections	\$ <u>41,804</u>

STATEMENT OF CHANGES IN FIDUCIARY  
NET POSITION - TAX COLLECTION FUND

Year ended March 31, 2023

REVENUES -	
Collection of property taxes for other governmental units and other agencies	\$ 1,664,038
EXPENDITURES -	
Disbursements of property taxes to other governmental units and other agencies	<u>1,664,038</u>
	EXCESS OF REVENUES OVER EXPENDITURES \$ 0
Net position at April 1, 2023	<u>0</u>
	NET POSITION AT MARCH 31, 2023 \$ <u>0</u>

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

NOTES  
TO  
FINANCIAL  
STATEMENTS

## NOTES TO FINANCIAL STATEMENTS

### TOWNSHIP OF BERGLAND

March 31, 2023

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#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Township of Bergland operates under an elected Board of Trustees. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

##### Financial Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township financial reporting entity. The criteria established for determining the various governmental organizations to be included as component units in the Township's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, no financial statements of any component units are required to be included in the financial statements of the Township.

##### Basis of Presentation

###### Government-wide Financial Statements

The Township government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the activities of the Township except for the fiduciary activities. The Township General Fund, Fire Fund and Cemetery Fund are considered to be governmental activities and its enterprise funds business-type activities. Interfund activity including operating transfers between activities has been eliminated in the Government-wide financial statements.

###### Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity and net position, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental, business-type and fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or nonmajor funds. The Township reports the General Fund, Water Supply System Fund and Sanitary Sewage Disposal System Fund as major funds. The Fire Fund and Cemetery Fund are nonmajor funds.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Basis of Presentation (Continued)

##### Fund-based Financial Statements (Continued)

###### Governmental Fund Types

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state and federal grants and various local sources.

Fire Fund – The Fire Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for fire purposes.

Cemetery Fund – The Cemetery Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for cemetery purposes.

###### Proprietary Fund Types

These funds account for operations that are organized to be self-supporting through user charges and include Enterprise Funds.

Enterprise Funds – Water Supply System and Sanitary Sewage Disposal System Funds are used to account for operations of the water and the sewage systems in a manner similar to private business enterprises, where the intent of the Township is that the expenses, including depreciation, of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

###### Fiduciary Fund Type

The Tax Collection Fund – The Tax Collection Fund is used to account for the collection and disbursement of property taxes and delinquent fees added to the tax roll for the benefit of the Township's governmental and proprietary fund types, other governmental units and other entities.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Basis of Accounting

##### Government-wide Financial Statements

The Government-wide financial statements report all financial and capital assets, short and long-term liabilities, deferred inflows and outflows of resources, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Township's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the Township provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state and federal aid and other revenues that are not program revenues are reported as general revenues.

##### Fund-based Financial Statements

Governmental fund types use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available (often referred to as "susceptible to accrual"). Revenues are available when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The Township considers revenues to be available if they are expected to be collected within 60 days of the end of the year, except that tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when all applicable eligibility requirements of the grants are met and resources are available. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due.

Proprietary and Fiduciary fund types use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises; revenues are recorded when earned and expenses are recorded when incurred.

#### Operating and Nonoperating Revenues of Proprietary Funds

The Water Utility Fund and Sewer Utility Fund report charges for services and penalties for delinquent user charges as operating revenues when subject to accrual. Interest earned on cash and investments and grant revenue are reported as nonoperating revenues when subject to accrual.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Budgets and the Budgetary Process

The Township Board adopts an annual operating budget, which can be amended by the Board throughout the year. Formal budgetary accounting is employed as a management control for all funds of the Township. A formal budget is required to be adopted for all governmental funds. The budget is adopted on the same basis of accounting as is used to reflect actual revenues and expenditures.

At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the Township Board, budgetary transfers between departments can be made. The budgeted financial statements represented in this report reflect the final budget authorization and any budget amendments approved by the Board during the year. Budgets are adopted on the functional level and lapse at the end of the year.

#### Receivables

Credit is extended to customers of the proprietary funds and to various units of government by the General Fund. All receivables are reported at their gross value. No allowance for uncollectible accounts is included in the financial statements as accounts receivable are written-off as they are determined to be uncollectible using the direct write-off method. Annually, the Township adds current year delinquent utility accounts to its tax roll for collection.

#### Inventories

Inventories of proprietary funds are valued at cost.

#### Prepaid expenses

Prepaid expenses include insurance paid in advance of the period the expense will be charged to.

#### Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

#### Unearned Revenue

Expenditure-driven grants are recognized as revenue when revenue is available, the qualifying expenditures have been incurred and all other grant requirements have been met. Grant funds received that have not met these requirements are recorded as an unearned revenue liability.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Investment in Capital Assets, Net of Related Debt

This is a portion of net position of the Township that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other liabilities attributable to the acquisition, construction or improvement of those assets.

#### Restricted Net Position

Net position is restricted when there are constraints placed on their use by external parties or by statute. The Enterprise Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of cash that can be used only to service outstanding debt and to pay for replacement of the utility plant assets. The General Fund reports restricted net position as a result of a voter approved tax levy to fund Township repairs and improvements.

#### Unrestricted Net position

Net position not meeting either category above is considered unrestricted.

#### Fund Balance Policies

Fund balance measures the net financial resources available to finance expenditures of future periods. Fund balance is the difference between assets and liabilities reported in a governmental fund. The Township's Unassigned General Fund Balance will be maintained to provide the Township with sufficient working capital and a margin of safety to address local and regional emergencies without unnecessary borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the Township Board. It is recognized that it will not always be possible to avoid borrowing to provide cash flow.

Fund balance of the Township may be committed for a specific source by formal action of the Township Board. Amendments or modifications to the Committed Fund Balance must also be approved by formal action of the Township Board. Committed Fund Balance does not lapse at year end.

Fund balance of the Township may be assigned for a specific purpose by the Township Board. Assigned Fund Balance does not lapse at year end.

Restricted Fund Balance includes those amounts that can only be spent for the specific purposes stipulated by external resource providers or by statute.

Nonspendable Fund Balance includes amounts that are not in a spendable form. Examples include inventory and prepaid expenses.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For purposes of fund balance classification, expenditures are to be spent from Restricted Fund Balance first (when appropriate), followed in order by Assigned Fund Balance, Committed Fund Balance, and lastly, Unassigned Fund Balance.

The Township Board desires to maintain, in stable economic times, a fund balance of at least 10% of the Township General Fund operating expenditures.

An annual reporting of fund balances shall be reported in the annual audited financial statements of the Township.

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, furniture and fixtures, equipment, fire trucks, utility plant and vehicles and are reported in the Government-wide financial statements. Capital assets are defined by the Township as assets with an acquisition cost of generally more than \$1,000 or betterments totaling \$10,000 with an estimated useful life in excess of five years. Assets meeting these criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded in the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets' sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method over the following useful lives:

Land	Not depreciated
Buildings and improvements	40 years
Office furniture and fixtures	5-20 years
Fire equipment	10-20 years
Other equipment	5-20 years
Utility plant	40 years
Vehicles	3-10 years

Impairment of Long-lived Assets

Management reviews long-lived assets held and used by the Township for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Long-Term Debt

Long-term liabilities for revenue bonds are reported in the appropriate Enterprise Fund.

#### Compensated Absences

One employee of the Township is able to accumulate sick and vacation time. The liability for compensated absences is recorded in the General Fund under the liability for salaries and related taxes, when applicable.

#### Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The Township records property taxes as revenue when they are levied because they are both measurable and available. Delinquent real property taxes of the Township and all other local units are purchased annually by the County of Ontonagon.

#### 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 assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Subsequent Events

Subsequent events have been evaluated through the date of the audit report, the date the financial statements were available to be issued.

### NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Public Act 275 of 1980

The Township did not have any funds with a fund-balance deficit or retained-earnings deficit at March 31, 2023.

#### Public Act 621 of 1978

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2023, the Township was in substantial compliance with the Act.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Compliance with Bond Covenants

Following is a summary of required reserves under revenue bond ordinances and funding levels at March 31, 2023:

	Required Reserve at <u>March 31, 2023</u>	Balance at <u>March 31, 2023</u>
Water Supply System Revenue Bonds, dated September 24, 1998:		
Bond Reserve Account	\$ 11,000	\$ 15,113
Bond and Interest Redemption	<u>6,823</u>	<u>73,582</u>
	\$ 17,823	\$ 88,695
Sanitary Sewage Disposal System Bonds, dated February 6, 2012:		
Bond and Interest Redemption	\$ 20,878	\$ 13,717
Repair, Replacement and Improvement	131,265	133,698
Bond Reserve Accounts	<u>93,000</u>	<u>92,703</u>
	<u>\$ 245,143</u>	<u>\$ 240,118</u>
TOTALS	<u>\$ 262,966</u>	<u>\$ 328,813</u>

As of March 31, 2023, two of the restricted accounts were underfunded. Funds were deposited and restricted balances were met as of June 2, 2023.

NOTE C – PROPERTY TAX ADMINISTRATION FEE

The Township has not established a subsidiary ledger to account for costs incurred in collection, assessing and reviewing of property tax levies as required by Public Act 503 of 1982. A summary of the transactions that would affect the balance sheet equity account for the year ended March 31, 2023, follows:

Receipts from charging administrative fee	\$ 17,266
Costs incurred	<u>29,183</u>
Excess of costs	<u>\$ (11,917)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – CASH INFORMATION

All deposits were made in a bank or credit union insured by federal depository insurance. Deposits were made in accordance with State of Michigan statutes and under authorization of the Township Board.

At March 31, 2023, cash, including restricted cash, totaled \$1,025,931. The actual bank and credit union balances totaled \$1,144,706 of which \$823,016 was covered by federal depository insurance.

NOTE E – PROPERTY TAXES

The Township bills and collects its own property taxes and also collects current rolls for the County, School District, State Education Tax and Intermediate School District. The delinquent real property taxes of the Township for the 2022 levy are to be purchased by the County of Ontonagon.

A summary of the 2022 tax roll follows:

	<u>Mills</u>	<u>Levy</u>	<u>Taxes Returned Delinquent</u>	<u>Net Tax Collections</u>
County	14.5785	\$ 554,955	\$ 31,569	\$ 523,386
State Education Tax	6.0000	227,478	10,773	216,705
Gogebic-Ontonagon Intermediate School District	3.5925	136,753	6,449	130,304
School:				
Operating	17.8959	453,696	22,907	430,789
Debt	5.9000	224,604	14,514	210,090
Township	<u>1.9676</u>	<u>74,894</u>	<u>4,839</u>	<u>70,055</u>
TOTALS	<u>49.9345</u>	<u>\$ 1,672,380</u>	<u>\$ 91,051</u>	<u>\$ 1,581,329</u>
Taxable valuation				<u>\$ 38,054,007</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance at April 1, <u>2022</u>	<u>Additions</u>	<u>Disposals</u>	Balance at March 31, <u>2023</u>
<u>Governmental Activities:</u>				
Assets:				
Land (not depreciated)	\$ 133,442			\$ 133,442
Buildings and improvements	84,358	\$ 18,000		102,358
Fire equipment	335,891	15,832		351,723
Other equipment	38,482	4,617		43,099
Recreation park	<u>91,821</u>	<u>1,457</u>		<u>93,278</u>
	\$ 683,994	\$ 39,906	\$ 0	\$ 723,900
Less accumulated depreciation	<u>478,762</u>	<u>8,590</u>		<u>487,352</u>
Net	\$ 205,232	\$ 31,316	\$ 0	\$ 236,548
<u>Business-type Activities:</u>				
Water Supply System Fund:				
Land (not depreciated)	\$ 15,642			\$ 15,642
Vehicles and equipment	8,637	\$ 2,185		10,822
Water system and distribution mains	<u>1,159,133</u>	<u>34,250</u>		<u>1,193,383</u>
	\$ 1,183,412	\$ 36,435	\$ 0	\$ 1,219,847
Less accumulated depreciation	<u>847,734</u>	<u>19,956</u>		<u>867,690</u>
Net	\$ 335,678	\$ 16,479	\$ 0	\$ 352,157
Sanitary Sewage Disposal System:				
Land (not depreciated)	\$ 4,750			\$ 4,750
Vehicles and equipment	74,338	\$ 2,185		76,523
Sewage collection and treatment facilities	<u>4,315,955</u>	<u>76,751</u>		<u>4,392,706</u>
	\$ 4,395,043	\$ 78,936	\$ 0	\$ 4,473,979
Less accumulated depreciation	<u>1,509,331</u>	<u>96,221</u>		<u>1,605,552</u>
Net	\$ 2,885,712	\$ (17,285)	\$ 0	\$ 2,868,427
Total Business-Type Activities	<u>\$ 3,221,390</u>	<u>\$ (806)</u>	<u>\$ 0</u>	<u>\$ 3,220,584</u>
TOTAL GOVERNMENT	<u>\$ 3,426,622</u>	<u>\$ 30,510</u>	<u>\$ 0</u>	<u>\$ 3,457,132</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – CAPITAL ASSETS (CONTINUED)

Depreciation expense is allocated to governmental activities functions of the Township as follows:

General government	\$	3,055
Public safety		3,322
Recreation and culture		<u>2,213</u>
	\$	<u>8,590</u>

NOTE G – REVENUE BONDS PAYABLE

A summary of changes in revenue bonds payable follows:

	Balance at April 1, <u>2022</u>	<u>Decrease</u>	Balance at March 31, <u>2023</u>	<u>Current Portion</u>
Proprietary Activities:				
Direct Borrowing and Placement:				
Water Supply System Bonds	\$ 48,000	\$ 5,000	\$ 43,000	\$ 5,000
Sanitary Sewage Disposal System Bonds	<u>1,886,000</u>	<u>41,000</u>	<u>1,845,000</u>	<u>42,000</u>
	<u>\$ 1,934,000</u>	<u>\$ 46,000</u>	<u>\$ 1,888,000</u>	<u>\$ 47,000</u>

Data relative to the Water and Sewage revenue bonds at March 31, 2023, follows. Bonds are subject to redemption prior to maturity on any interest payment date in inverse numerical order. These revenue bonds are self-liquidating bonds and are not a general obligation of the Township of Bergland, but are payable solely from the revenues of the Water Supply System and Sanitary Sewage Disposal System Funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE G – REVENUE BONDS PAYABLE (CONTINUED)

1998 Issue

Date of issue – September 24, 1998  
 Amount of original issue - \$200,000  
 Outstanding at March 31, 2023 - \$43,000  
 Interest rate - 4.5%  
 Interest dates - March 1 and September 1  
 Bond payment date - September 1

Debt charges until maturity are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 5,000	\$ 1,823	\$ 6,823
2025	6,000	1,575	7,575
2026	6,000	1,305	7,305
2027	6,000	1,035	7,035
2028	6,000	765	6,765
2029-2030	<u>14,000</u>	<u>631</u>	<u>14,631</u>
	<u>\$ 43,000</u>	<u>\$ 7,134</u>	<u>\$ 50,134</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE G – REVENUE BONDS PAYABLE (CONTINUED)

2012 Issue

Date of issue – February 6, 2012

Amount of original issue - \$2,178,000

Outstanding at March 31, 2023 - \$1,845,000

Interest rate – 2.25%

Interest dates – February 1 and August 1

Bond payment date – February 1

Debt charges until maturity are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 42,000	\$ 41,513	\$ 83,513
2025	44,000	40,568	84,568
2026	45,000	39,578	84,578
2027	46,000	38,565	84,565
2028	47,000	37,530	84,530
2029-2033	257,000	171,091	428,091
2034-2038	294,000	140,558	434,558
2039-2043	336,000	105,660	441,660
2044-2048	385,000	65,701	450,701
2049-2052	<u>349,000</u>	<u>19,892</u>	<u>368,892</u>
	<u>\$1,845,000</u>	<u>\$ 700,656</u>	<u>\$2,545,656</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G – REVENUE BONDS PAYABLE (CONTINUED)

The aggregate amounts of revenue bonds payable principal and interest maturities for the five years ending March 31, 2028, and in five-year increments thereafter until maturity are:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 47,000	\$ 43,336	\$ 90,336
2025	50,000	42,143	92,143
2026	51,000	40,883	91,883
2027	52,000	39,600	91,600
2028	53,000	38,295	91,295
2029-2033	271,000	171,722	442,722
2034-2038	294,000	140,558	434,558
2039-2043	336,000	105,660	441,660
2044-2048	385,000	65,701	450,701
2049-2052	<u>349,000</u>	<u>19,892</u>	<u>368,892</u>
	<u>\$1,888,000</u>	<u>\$ 707,790</u>	<u>\$2,595,790</u>

NOTE H – INTERFUND RECEIVABLES AND PAYABLES AND INTERFUND TRANSFERS

The amounts of interfund receivables and payables at March 31, 2023, were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 48,333	Water Fund	\$ 18,258
		Sewer Fund	<u>30,075</u>
	<u>\$ 48,333</u>		\$ 48,333
Fire Fund	9,365	General Fund	9,365
Cemetery Fund	13,971	General Fund	13,971
Water Fund	477	Sewer Fund	477
Sewer Fund	13,051	General Fund	\$ 13,030
		Water Fund	<u>21</u>
	<u>\$ 13,051</u>		<u>\$ 13,051</u>
Total	<u>\$ 85,197</u>		<u>\$ 85,197</u>

Interfund payments were made subsequent to March 31, 2023 to clear the interfund receivables and payables balances reported above.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I – STATE CONSTRUCTION CODE ACT INFORMATION

During the year ended March 31, 2023, the Township collected construction code service fees of \$2,531 and spent \$6,600 for enforcing the code. Because the fee structure is not intended to recover the full cost of enforcement and the Township has the ability to track the full costs and revenues, a separate fund has not been created to account for these monies. Expenditures for enforcing construction codes have exceeded revenues since inception.

NOTE J – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintains two Enterprise Funds - one to provide a water supply system and one to provide a sanitary sewage disposal system. Segment information for the year ended March 31, 2023, follows:

	Water Supply System <u>Fund</u>	Sanitary Sewage Disposal System <u>Fund</u>	Total Enterprise <u>Fund</u>
Operating transfers in (out)	\$ 0	\$ 0	\$ 0
Tax revenues	0	0	0
Current capital contributions	0	0	0
Utility plant:			
Additions	36,435	78,936	115,371
Deletions	0	0	0

NOTE K – RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$2,000,000 per occurrence and a \$4,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the Governmental and Proprietary Funds of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2023, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE L – CHANGE IN ACCOUNTING PRINCIPAL

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* (Statement) was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of government financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government leasing activities. The Township has evaluated the impact of this standard and no material leases exist as of March 31, 2023.

### NOTE M – UPCOMING ACCOUNTING PRONOUNCEMENTS

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) required note disclosure regarding a SBITA. To the extent relevant, the standards are based on the standards established in Statement No. 87, *Leases*, as amended. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

REQUIRED  
SUPPLEMENTAL  
INFORMATION

BUDGETARY COMPARISON SCHEDULE - MAJOR GOVERNMENTAL FUNDS

TOWNSHIP OF BERGLAND

Year ended March 31, 2023

	General Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 65,032	\$ 68,032	\$ 75,844
Licenses and permits	2,000	6,953	2,531
Federal grants	10,000	7,000	6,253
State grants	33,000	41,000	49,404
Charges for services	11,976	18,632	21,495
Interest and rents	7,625	42	229
Other revenues	<u>8,500</u>	<u>21,490</u>	<u>22,113</u>
TOTAL REVENUES	\$ 138,133	\$ 163,149	\$ 177,869
Expenditures:			
Current:			
Legislative	\$ 5,080	\$ 5,000	\$ 4,870
General government	161,794	188,942	141,053
Public safety	8,400	8,950	8,795
Public works	5,500	5,500	4,851
Recreation and culture	5,684	7,423	7,386
Other functions	5,494	5,700	4,332
Capital outlay	<u>10,000</u>	<u>21,642</u>	<u>21,642</u>
TOTAL EXPENDITURES	\$ <u>201,952</u>	\$ <u>243,157</u>	\$ <u>192,929</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (63,819)	\$ (80,008)	\$ (15,060)
Fund balance at April 1, 2022	<u>337,541</u>	<u>337,541</u>	<u>337,541</u>
FUND BALANCE AT MARCH 31, 2023	\$ <u><u>273,722</u></u>	\$ <u><u>257,533</u></u>	\$ <u><u>322,481</u></u>

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

OTHER  
FINANCIAL  
INFORMATION

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

TOWNSHIP OF BERGLAND

Year ended March 31, 2023

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Property taxes		\$ 55,943	
Commercial forest		2,635	
Property tax administrative fee		<u>17,266</u>	
	\$ 68,032	\$ 75,844	\$ 7,812
Licenses and permits - building permits	6,953	2,531	(4,422)
Federal grants - National Forest	7,000	6,253	(747)
State grants:			
Revenue Sharing		\$ 48,150	
Local Community Stabilization Authority		<u>1,254</u>	
	41,000	\$ 49,404	8,404
Charges for services:			
Camping fees		\$ 20,133	
Tax collection fees		<u>1,362</u>	
	18,632	\$ 21,495	2,863
Interest and rents:			
Interest earned		\$ 154	
Rents		<u>75</u>	
	42	\$ 229	187
Other revenues:			
Refunds, reimbursements and other	<u>21,490</u>	<u>22,113</u>	<u>623</u>
<b>TOTAL REVENUES</b>	<u>\$ 163,149</u>	<u>\$ 177,869</u>	<u>\$ 14,720</u>

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

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET - GENERAL FUND

TOWNSHIP OF BERGLAND

Year ended March 31, 2023

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
LEGISLATIVE			
Township Board:			
Salaries		\$ 4,870	
TOTAL LEGISLATIVE	\$ 5,000	\$ 4,870	\$ 130
GENERAL GOVERNMENT			
Supervisor:			
Salary	6,000	6,000	
Elections:			
Salaries	1,215	1,215	
Assessor:			
Salaries	14,000	13,832	168
Attorney	15,000	14,909	91
Clerk:			
Salaries	10,000	10,996	(996)
Board of review:			
Salaries	900		900
Treasurer:			
Salaries		\$ 13,234	
Office		<u>2,117</u>	
	17,000	\$ 15,351	1,649



STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -  
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance Favorable (Unfavorable)
	Budget	Actual	
GENERAL GOVERNMENT (CONTINUED)			
Town hall and property:			
Salaries		\$ 9,879	
Insurance		5,451	
Membership fees		1,810	
Office		12,035	
Professional fees		4,420	
Repair and maintenance		17,878	
Supplies		5,617	
Travel		7,366	
Utilities		11,406	
Miscellaneous		<u>2,888</u>	
	<u>124,827</u>	<u>\$ 78,750</u>	<u>46,077</u>
TOTAL GENERAL GOVERNMENT	\$ 188,942	\$ 141,053	\$ 47,889
PUBLIC SAFETY			
Building Inspector:			
Salaries	\$ 6,000	\$ 6,600	\$ (600)
Zoning and planning:			
Salaries	<u>2,950</u>	<u>2,195</u>	<u>755</u>
TOTAL PUBLIC SAFETY	\$ 8,950	\$ 8,795	\$ 155

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -  
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance Favorable (Unfavorable)
	Budget	Actual	
PUBLIC WORKS - Street lights and roads	5,500	4,851	649
RECREATION AND CULTURE			
Township park:			
Salaries		\$ 2,018	
Repairs and maintenance		<u>5,368</u>	
TOTAL RECREATION AND CULTURE	7,423	\$ 7,386	37
OTHER FUNCTIONS			
Payroll taxes	5,700	\$ 4,332	1,368
CAPITAL OUTLAY			
Building - general government		\$ 18,000	
Equipment:			
General government		2,185	
Recreation and culture		<u>1,457</u>	
TOTAL CAPITAL OUTLAY	<u>21,642</u>	\$ <u>21,642</u>	
TOTAL EXPENDITURES	<u>\$ 243,157</u>	<u>\$ 192,929</u>	<u>\$ 50,228</u>

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

SUPPLEMENTAL  
REPORTS

**MAKELA, POLLACK & AHONEN, P.L.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
301 N. SUFFOLK STREET  
IRONWOOD, MICHIGAN 49938-2027

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**L. M. TREGEMBO, C.P.A.**  
**MEMBERS**

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

To the Supervisor and Members of the Board  
Township of Bergland  
Bergland, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bergland as of and for the year ended March 31, 2023, and the financial statements for the business-type activities as of and for the year ended March 31, 2022 and the related notes to the financial statements, which collectively comprise the Township of Bergland's basic financial statements, and have issued our report thereon dated December 4, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township of Bergland's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Bergland's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Bergland's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination

of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item (2023-001) to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item (2023-002) to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township of Bergland's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed a certain instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item (2022-003).

### **Township of Bergland's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Township of Bergland's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Township of Bergland's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

*Makela, Pollock + Ahonen, PLLC*

Certified Public Accountants

Ironwood, Michigan  
December 4, 2023

SCHEDULE OF FINDINGS AND RESPONSES

TOWNSHIP OF BERGLAND

Year ended March 31, 2023

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A. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

(2023-001) Segregation of Duties

Criteria – Proper internal control procedures require segregation of accounting functions between two or more personnel.

Condition - The Township Clerk prepares billings, collects payments, posts payments to customer accounts, makes billing adjustments, monitors accounts receivable, maintains the general ledger and prepares financial statements and reports for the utility funds.

Cause – The size of the Township staff does not permit proper segregation of duties.

Effect – We consider this condition to be a material weakness.

Recommendation – Since the hiring of additional personnel to provide proper segregation of duties is cost prohibitive, we recommend the Township Board remain involved in the accounting process by providing oversight and independent review functions.

Management’s Response - The Township agrees and the Board will remain involved in the accounting process by providing oversight and independent review functions.

A similar finding was noted during the March 31, 2022 audit.

SIGNIFICANT DEFICIENCY

(2023-002) Ability to Prepare Financial Statements and Related Note Disclosures

Criteria – Local units of government are required to possess the ability to prepare their financial statements and related disclosures in accordance with generally accepted accounting principles.

Condition – Like other local units of government of similar size, limited financial summaries and abbreviated financial statements are made available for the Members of the Board. The Township relies on its auditors to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. The Supervisor and Members of the Board review and accept the financial statements on behalf of the Township.

Cause – The Township does not have staff familiar enough in all aspects of governmental reporting to be able to draft the Township financial statements and related note disclosures.

Effect – We consider this condition to be a significant deficiency.

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

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A. FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

SIGNIFICANT DEFICIENCIES (CONTINUED)

Recommendation – The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial reporting process to provide an oversight function.

Management's Response – The Township agrees and will continue to use the auditor's assistance in drafting its financial statements and related disclosures and will remain involved in the financial reporting process.

A similar item was noted during the March 31, 2022 audit.

NONCOMPLIANCE

(2023-003) Property Tax Collections

Criteria – The Michigan General Property Tax Act (Act) sets the time limit for the distribution of taxes collected for another taxing unit.

Condition – It was noted that the Township Tax Collection Fund had excess cash in the checking account after settlement of the 2022 tax roll.

Cause – The Township was unable to determine what the excess cash was the result of and to what Township fund or other taxing unit the excess cash belongs to after reviewing tax collection and tax disbursement transactions.

Effect – We consider this condition to be a noncompliance issue.

Recommendation – We recommend that the taxes collected for other taxing units and the Township funds be distributed according to the Act and that the system used to track the collections and distributions of tax collections be reviewed and adjusted to comply with the Act.

Management's Response – The Township has agreed to do so and will distribute future tax collections in accordance with the Act.

A similar item was noted during the March 31, 2022 audit.

**MAKELA, POLLACK & AHONEN, P.L.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
301 N. SUFFOLK STREET  
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**K. T. AHONEN, C.P.A.**  
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December 4, 2023

To the Supervisor and Members of the Board  
Township of Bergland  
Bergland, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Township of Bergland for the year ended March 31, 2023. We also audited the financial statements of the business-type activities for the year ended March 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 24, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Township of Bergland are described in Note A 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 Township of Bergland 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.

Our audit report reported one material weakness, one significant deficiency and one compliance matter referred to as items 2023-001 to 2023-003.

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

Management's estimate of the useful lives to compute depreciation are based on past practice and the straight-line method of depreciating fixed assets is used. We evaluated the methods, assumptions, and data used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.



## **MAKELA, POLLACK & AHONEN, P.L.L.C.**

Township of Bergland

December 4, 2023

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### *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 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. A list of all misstatements detected as a result of audit procedures has been given to the Township Clerk and posted to the Township's general ledger.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 4, 2023.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Township of Bergland'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 Township of Bergland's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to management's discussion and analysis and required budgetary comparison schedule, which is required supplemental information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**MAKELA, POLLACK & AHONEN, P.L.L.C.**

Township of Bergland

December 4, 2023

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We were engaged to report on supplemental information, which accompany the financial statements but are not RSI. With respect to this supplemental 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 supplemental information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

*Makela, Pollack + Ahonen, PLLC*

Certified Public Accountants