

Township of Atlas

Genesee County, Michigan

Audited Financial Report
March 31, 2023

KING & KING CPAs LLC

Marlette ~ Inlay City
Michigan

Township of Atlas
Annual Financial Report
For The Fiscal Year Ended March 31, 2023

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Independent Auditor's Report

Members of the Township Board
Township of Atlas
Genesee County, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund for the **Township of Atlas**, as of and for the year ended **March 31, 2023**, and the related notes to the financial statements, which collectively comprise the **Township of Atlas's** basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the **Township of Atlas**, as of **March 31, 2023**, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Township of Atlas's** ability to continue as a going concern for the 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we

- exercise professional judgement 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 Atlas's** internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting principles 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Township of Atlas'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 major fund budgetary comparison schedule, as identified in the Table of Contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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.

Supplementary Information

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

King & King CPAs LLC

KING & KING CPAs LLC
Imlay City, Michigan

May 31, 2023

Township of Atlas

Goodrich, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the **Township of Atlas**, Michigan's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2023. Please read it in conjunction with the Township's financial statements.

Using this Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. This long-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current fiscal year and whether the taxpayers have fully funded the cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the fiscal year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Condensed Financial Information

The following table shows in a condensed format, the net position as of the current fiscal year. Comparative data of the previous audit's net position is included.

	Governmental Activities	
	3/31/2023	3/31/2022
Current Assets	\$ 6,028,616	\$ 5,775,576
Noncurrent Assets	3,019,474	2,308,767
Total Assets	9,048,090	8,084,343
Deferred Outflows	-	-
Current Liabilities	156,744	149,120
Noncurrent Liabilities	-	-
Total Liabilities	156,744	149,120
Deferred Inflows	626,332	312,541
Net Position:		
Net Inv. In Cap Assets.	3,019,474	2,308,767
Restricted	2,850,672	2,927,232
Unrestricted	2,394,869	2,386,684
Total Net Position	\$ 8,265,015	\$ 7,622,683

Township of Atlas

Goodrich, Michigan

Condensed Financial Information – Continued

The following table shows the changes of the net position during the current fiscal year:

	Governmental Activities	
	3/31/2023	3/31/2022
Revenues		
Program Revenues:		
Charges for Services	\$ 161,409	\$ 132,571
Grants & Contributions	141,670	-
General Revenues:		
Property Taxes	2,019,959	1,940,664
State-Shared Revenues	705,640	663,553
Interest Earnings	48,840	(7,766)
Other Revenues	60,059	116,528
Transfers	49,801	-
Total Revenues	<u>3,187,378</u>	<u>2,845,550</u>
Program Expenses		
General Government	\$ 737,742	\$ 538,954
Public Safety	1,083,596	954,973
Public Works	687,961	496,105
Recreation & Culture	33,197	28,167
Interest on Long-Term Debt	-	1,941
Total Program Expenses	<u>2,542,497</u>	<u>2,020,140</u>
Change in Net Position	<u>\$ 644,881</u>	<u>\$ 825,410</u>

The Township as a Whole

- The Township's Governmental Activities net position increased by \$644,881 this fiscal year. This compares to a net increase of \$825,410 in the previously audited year. This change was due to an increase in revenues for State Shared Revenues, Property Taxes, and Grants. Expenses also increased, by a larger margin than revenues. The Township saw increases amongst all programs.
- The Township's primary source of revenue is from property taxes and state shared revenues, which represent 86% of total revenue.

Township of Atlas

Goodrich, Michigan

The Township's Funds

Our analysis of the Township's major funds begins on Page 5, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township's major funds for the fiscal year ending March 31, 2023, include the General Fund, Police Fund, and Fire Protection Fund.

General Fund Budgetary Highlights

The Township made amendments to the budget throughout the year. However, there remained minimal expenses in excess of the amounts budgeted.

Capital Asset and Debt Administration

During the fiscal year ended March 31, 2023, the Township completed a large sidewalk renovation project for \$376,662. The General Fund also purchased a document scanner for \$2,995. The Fire Fund purchased police vehicles for \$291,357 and reconstructed the fire hall parking lot for \$237,777. Additional information regarding the Township's capital assets can be found in Note 4 to the financial statements.

The Township does not have any long-term debt. Additional information regarding the Township's long-term debt can be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budget and Rates

The Township's tax base remained relatively constant. The Township will need to continue to watch the budget very closely in all categories. As our current economy is seeing increased inflation and interest rates, the Township must be conscious of proper budgeting practices to manage increases in costs.

Contacting the Township

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Township Office in Goodrich, Michigan by telephone at (810) 636-2548.

Township of Atlas

Statement of Net Position

March 31, 2023

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
<u>Assets</u>	
Cash & Cash Equivalents	\$ 5,796,281
Accounts Receivable	199,815
Prepaid Expenses	32,520
Capital Assets	
Nondepreciable Capital Assets	81,601
Depreciable Capital Assets	2,937,873
<u>Total Assets</u>	<u>9,048,090</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Accounts Payable	156,744
Accrued Wages & Benefits	-
<u>Total Liabilities</u>	<u>156,744</u>
<u>Deferred Inflows of Resources</u>	<u>626,332</u>
<u>Net Position</u>	
Net Investment in Capital Assets	3,019,474
Restricted	2,850,672
Unrestricted	2,394,869
<u>Total Net Position</u>	<u>\$ 8,265,014</u>

The notes are an integral part of the statements.

Township of Atlas

Statement of Activities

For The Fiscal Year Ended March 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Primary Governmental Activities:					
General Government	\$ 737,742	\$ -	\$ -	\$ -	(737,742)
Public Safety	1,083,596	91,259	-	-	(992,337)
Public Works	687,961	70,150	141,670	-	(476,141)
Recreation & Culture	33,197	-	-	-	(33,197)
Interest on Long-Term Debt	-	-	-	-	-
Total Governmental Activities	2,542,497	161,409	141,670	-	(2,239,417)

General Revenues:

Property Taxes & Special Assessments	\$ 2,019,959
Intergovernmental Revenues	705,640
Rents & Royalties	48,840
Interest Earnings	60,059
Other Revenues	49,801
Transfers	-
Total General Revenues, Special Items & Transfers	2,884,299

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

644,881
7,620,133
\$ 8,265,014

The notes are an integral part of the statements.

Township of Atlas

Governmental Funds

Balance Sheet

March 31, 2023

	Special Revenue Funds			Total	
	Fire			Nonmajor	Total
	General	Protection	Police	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Assets					
Cash & Certificates of Deposit	\$ 2,945,137	\$ 553,847	\$ 1,287,094	\$ 1,010,203	\$ 5,796,281
Accounts Receivable	126,487	11,269	23,666	38,392	199,815
Due From Other Funds	15,807	-	-	-	15,807
Prepaid Expenses	16,904	15,616	-	-	32,520
Total Assets	\$ 3,104,335	\$ 580,733	\$ 1,310,760	\$ 1,048,595	\$ 6,044,422
Liabilities & Fund Equity					
Liabilities					
Accounts Payable	\$ 84,215	\$ 1,418	\$ 63,532	\$ 7,578	\$ 156,744
Accrued Wages & Benefits	-	-	-	-	-
Unearned Revenue	626,332	-	-	17,985	644,316
Due To Other Funds	-	59	655	15,093	15,807
Total Liabilities	710,547	1,477	64,187	40,655	816,867
Fund Equity					
Fund Balances					
Nonspendable	16,904	15,616	-	-	32,520
Restricted For:					
Fire Protection	-	563,640	-	-	563,640
Police Protection	-	-	1,246,572	-	1,246,572
Garbage Collection	-	-	-	251,227	251,227
Building Code Enforcement	-	-	-	-	-
Sewer Improvements & Operations	-	-	-	263,411	263,411
Recreational Pathways	-	-	-	337,738	337,738
Road Paving	-	-	-	(12,776)	(12,776)
Aquatic Weed Treatment	-	-	-	168,340	168,340
Unassigned	2,376,884	-	-	-	2,376,884
Total Fund Balances	2,393,788	579,256	1,246,572	1,007,940	5,227,556
Total Liabilities & Fund Equity	\$ 3,104,335	\$ 580,733	\$ 1,310,760	\$ 1,048,595	\$ 6,044,422

The notes are an integral part of the statements.

Township of Atlas
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Position
For The Fiscal Year Ended March 31, 2023

Total Fund Balances for Governmental Funds	\$ 5,227,556
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Amounts reported for Governmental Activities in the Statement of
Net Position are different because:

Special Assessment Receivables are not available to pay for current period expenditures, and therefore are deferred in the funds.	17,985
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Long-term bonds payable are not due and payable in the current period and are not reported in the funds.	-
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Capital assets used in Governmental Activities are not financial resources and are not reported in the funds.	<u>3,019,474</u>
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Net Position of Governmental Activities	<u><u>\$ 8,265,014</u></u>
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Township of Atlas
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balances
For The Fiscal Year Ended March 31, 2023

	<u>Special Revenue Funds</u>			<u>Total</u>	<u>Total</u>
	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Nonmajor</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Protection</u>	<u>Fund</u>	<u>Governmental</u>	<u>Funds</u>
		<u>Fund</u>		<u>Funds</u>	<u>Funds</u>
<u>Revenues</u>					
Property Taxes	\$ 449,057	\$ 390,012	\$ 819,021	\$ 47,141	\$ 1,705,229
Special Assessments	-	-	-	316,834	316,834
Intergovernmental Revenues	705,640	-	-	-	705,640
Franchise Fees	48,840	-	-	-	48,840
Charges for Services	91,259	-	-	70,150	161,409
Interest Earnings	30,925	6,635	8,532	13,967	60,059
Other Revenues	180,877	4,581	5,814	199	191,471
<u>Total Revenues</u>	<u>1,506,597</u>	<u>401,228</u>	<u>833,366</u>	<u>448,291</u>	<u>3,189,482</u>
<u>Expenditures</u>					
General Government	670,632	-	-	-	670,632
Public Safety	148,403	195,121	616,801	-	960,325
Public Works	269,210	-	-	418,752	687,961
Recreation & Culture	25,495	-	-	-	25,495
Capital Outlay	379,657	529,134	-	-	908,790
Debt Service - Principal	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-
<u>Total Expenditures</u>	<u>1,493,396</u>	<u>724,255</u>	<u>616,801</u>	<u>418,752</u>	<u>3,253,204</u>
Excess of Revenues Over (Under) Expenditures	13,201	(323,027)	216,566	29,539	(63,722)
<u>Other Financing Sources (Uses)</u>					
Sale of Fixed Assets	-	-	-	-	-
Loan Proceeds	-	-	-	-	-
Operating Transfers In (Out)	-	-	-	-	-
Net Change in Fund Balances	13,201	(323,027)	216,566	29,539	(63,722)
<u>Fund Balances - Beginning of Year</u>	<u>2,380,587</u>	<u>902,283</u>	<u>1,030,007</u>	<u>978,401</u>	<u>5,291,278</u>
<u>Fund Balances - End of Year</u>	<u>\$ 2,393,788</u>	<u>\$ 579,256</u>	<u>\$ 1,246,572</u>	<u>\$ 1,007,940</u>	<u>\$ 5,227,556</u>

The notes are an integral part of the statements.

Township of Atlas
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Fiscal Year Ended March 31, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ (63,722)
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Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Loan proceeds are not reported as financing
sources on the Statement of Activities.

-

Special Assessment Revenues in the Statement of Activities that do not
provide current financial resources are not reported as revenue
in the funds.

(2,104)

Repayment of loan principal is an expenditure in the Governmental
Funds, but not in the Statement of Activities (where it
reduces long-term debt).

-

Governmental Funds report capital outlays as expenditures.
In the Statement of Activities, these costs are capitalized and
allocated over their estimated useful lives as depreciation.

908,790

Depreciation is an expenditure for the Statement of
Activities, but is not reported in the Governmental Funds.

(198,084)

Change in Net Position of Governmental Activities	\$ <u>644,881</u>
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The notes are an integral part of the statements.

Township of Atlas
Fiduciary Funds
Statement of Fiduciary Net Position - Custodial Fund
March 31, 2023

	Fiduciary Fund Types
	Custodial Fund
	Current Tax Collection Fund
<u>Assets</u>	
Cash & Cash Equivalents	\$ -
<u>Total Assets</u>	<u>\$ -</u>
<u>Liabilities</u>	
Due To Other Governments	\$ -
<u>Total Liabilities</u>	<u>\$ -</u>

Fiduciary Funds
Statement of Changes in Fiduciary Net Position - Custodial Fund
For the Fiscal Year Ended March 31, 2023

	Fiduciary Fund Types
	Custodial Fund
	Current Tax Collection Fund
<u>Additions</u>	
Tax Collections for Other Governments	\$ 13,833,711
<u>Deductions</u>	
Tax Collections Disbursed to Other Governments	<u>13,833,711</u>
Change in Net Position	-
Net Position at Beginning of Year	<u>-</u>
Net Position at End of Year	<u>\$ -</u>

The notes are an integral part of the statements.

Township of Atlas
Notes to the Financial Statements
For the Fiscal Year Ended March 31, 2023

1. Summary of Significant Accounting Policies

The accounting policies of the **Township of Atlas**, Genesee County, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the **Township of Atlas**, Genesee County, Michigan.

Financial Reporting Entity

The **Township of Atlas** was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the **Township of Atlas** (the primary government) and. The Township of Atlas's Board of Trustees is the primary government which has oversight responsibility and control over all activities related to sanitation, public improvements, planning and zoning, and general administrative services within the Township. In evaluating how to define the Township for financial purposes, management has considered all potential component units. The decision to include a potential component unit of the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America, currently GASB Statement #14, *The Financial Reporting Entity* and GASB Statement #39, *Determining Whether Certain Organizations are Component Units*.

Based upon the application of this criteria, the basic financial statements of the Township contain all the funds controlled by the Township Board of Officials, as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Township.

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. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The township does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund 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.

Township of Atlas
Notes to the Financial Statements
For the Fiscal Year Ended March 31, 2023

1. Summary of Significant Accounting Policies – Continued

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

Property taxes, other taxes, licenses, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

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

Fire Protection Fund – The Fire Protection Fund is used to account for the activities related to the Township for providing fire protection to the citizens.

Police Fund – The Police Fund is used to account for activities related to the Township's policing agreement with the Genesee County Sheriff's Department.

Additionally, the Township reports the following:

Nonmajor Special Revenue and Capital Projects Funds – The nonmajor special revenue and capital projects funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

Fiduciary Fund Type – used to account for resources held for the benefit of parties outside the Township:

Custodial Fund (Current Tax Collection Fund) - The Current Tax Collection Fund accounts for taxes collected by the Township for other governmental units.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues 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 revenues rather than as program revenues. Likewise, general revenues include all taxes.

Township of Atlas
Notes to the Financial Statements
For the Fiscal Year Ended March 31, 2023

1. Summary of Significant Accounting Policies – Continued

Assets, Liabilities, and Net Position or Equity

Deposits – 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.

Investments - Investments, including certificate of deposits are stated at fair value based on quoted market prices.

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 arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

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.

Property Tax Revenues - Property taxes are levied on each December 31st 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.

The Township’s 2022 tax is levied and collectible on July 1, 2022, and is recognized as revenue in the fiscal year ended March 31, 2023, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2022 taxable valuation of the Township totaled about \$393 million, on which taxes levied consisted of 0.7069 mills for operating purposes, 2.0760 mills for police, 0.9886 mills for fire protection, and 0.1195 mills for recreational pathways. This resulted in approximately \$281,000 for operating, \$818,000 for police, \$389,000 for fire protection, and \$47,000 for recreational pathways. These amounts are recognized in the General Fund, Police Fund, Fire Fund, and Recreational Pathway Fund financial statements as tax revenue. The Township also collects special assessments for Aquaweeds, Meadow Septic, Willow Septic, Thread River Paving, and Blight, which are recognized in the General Fund, Aqua Weed Treatment Fund, Atlas Meadow Septic Fund, Willowgate, Crossing Fund, and Thread River Paving Fund financial statements.

Receivables and Payables – All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of the interfund loans) or “advances to/from other funds” (i.e. the non-current portion of the interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Prepaid Items – 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

Restricted Assets – Restricted assets consist of investments that have set aside for future bond payments.

Compensated Absences – The Township’s policy allows employees to accumulate earned but unused paid time off benefits. Accumulated paid time off is accrued when incurred in the proprietary funds. A liability for these amounts is reported in governmental funds only if they mature, for example, as a result of employee resignations and retirements. The unpaid paid time off pay that is applicable to governmental fund types is reported in the statement of Net Position.

Township of Atlas
Notes to the Financial Statements
For the Fiscal Year Ended March 31, 2023

1. Summary of Significant Accounting Policies – Continued

Deferred Outflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense / expenditure) until then. The Township reports deferred outflows of resources related to its defined benefit pension plan for contributions to the plan subsequent to the valuation date through the Township's fiscal year-end, differences between expected and actual experience, differences between expected and actual investment returns and changes in assumptions.

Deferred Inflows of Resources – In addition to liabilities, the Statement of Net 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 deferred inflows of resources related to its pension plan for differences between expected and actual experience.

Capital Assets – Capital assets, which include property taxes, vehicles 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 Township as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 2 years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity of efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the day of its donations.

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

Buildings	20 to 50 years
Building Improvements	5 to 7 years
Vehicles	5 to 15 years
Office and computer equipment	5 to 7 years

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position.

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.

Net Position Flow Assumption – The Township will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Township of Atlas
Notes to the Financial Statements
For the Fiscal Year Ended March 31, 2023

1. Summary of Significant Accounting Policies – Continued

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – assets that are not available in a spendable form

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the Township’s highest level of decision making, its Board. A fund balance commitment may be established, modified, or rescinded by a resolution of the Township Board.

Assigned – amounts intended to be used for specific purposes, as determined by Township management. The Township Board has granted the management authority to commit funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Township’s policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the Township’s policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Township of Atlas
Notes to the Financial Statements
For the Fiscal Year Ended March 31, 2023

2. Stewardship, Compliance and Accountability

Budgetary Information

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

The Township Supervisor submits to the Township Board a proposed operating budget for the commencing fiscal year prior to its start each year. The operating budget includes proposed expenditures and the means to finance them. Budgets are prepared on a basis consistent with the accounting basis utilized by the fund. Public hearings are conducted to obtain taxpayer comments. Prior to March 31, the budget is legally enacted through passage of a resolution.

The budget document presents information by fund, activity, department and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township supervisor is authorized to transfer amounts between departments within any fund with subsequent Board ratification. Any revisions altering the total expenditures of a particular fund must be approved. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

During the fiscal year ended March 31, 2023, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Public Safety			
Planning & Zoning	\$ 55,520	\$ 59,442	3,922

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit 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 obligation 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 investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated several banks for the deposit of Township funds. The investment policy adopted by the Board is in accordance with Public Act 196 of 1997. The Board has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits are in accordance with statutory authority and the Township does have an investment policy. All cash deposits and investments of the Township are held by the Township in the Township's name.

At the fiscal year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	<u>\$ 5,796,281</u>	<u>\$ -</u>	<u>\$ 5,796,281</u>

Township of Atlas
Notes to the Financial Statements
For the Fiscal Year Ended March 31, 2023

3. Cash and Investments – Continued

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking & Savings Accounts, CDs)	<u>\$ 5,796,281</u>

The bank balance of the primary government's deposits is \$5,796,281 of which \$1,145,563 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

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. The Township has a deposit policy for custodial credit risk. At the fiscal year end, the Township had approximately \$4,650,718 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of 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.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices.

At the fiscal year end, the deposits and investments were reported in the basic financial statements in the following categories:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Investment Pools	\$ 494,847	AAAm	Standard & Poor's

Township of Atlas
Notes to the Financial Statements
For the Fiscal Year Ended March 31, 2023

4. Capital Assets

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

	Balance April 1, 2022	Additions	Disposals & Adjustments	Balance March 31, 2023
Governmental Activities:				
Capital Assets Not Being Depreciated - Land	\$ 81,601	\$ -	\$ -	\$ 81,601
Capital Assets Being Depreciated:				
Buildings & Improvements	2,361,270	614,438	-	2,975,709
Machinery & Equipment	632,072	294,352	-	926,424
Vehicles	1,483,792	-	-	1,483,792
Total Capital Assets Being Depreciated	4,477,134	908,790	-	5,385,924
Accumulated Depreciation:				
Buildings & Improvements	890,545	91,944	-	982,489
Machinery & Equipment	542,283	24,573	-	566,856
Vehicles	817,140	81,567	-	898,707
Total Accumulated Depreciation	2,249,968	198,084	-	2,448,052
Governmental Activities Capital Assets - Net	\$ 2,308,767	\$ 710,707	\$ -	\$ 3,019,474

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

Governmental Activities:	
General Government	\$ 67,110
Public Safety	123,271
Recreation & Culture	7,702
Total Governmental Activities	\$ 198,084

5. Long-Term Debt

None

6. Interfund Receivables, Payables and Transfers

The composition of advances is as follows:

	Due From Other Funds		Due To Other Funds
General Fund	\$ 59	Fire Protection Fund	\$ 59
General Fund	655	Police Fund	655
General Fund	1,316	Aqua Weed Treatment Fund	1,316
General Fund	13,776	Thread River Paving Fund	13,776
Total	\$ 15,806		\$ 15,806

The balance payable to the General Fund from Thread River Paving is due to amounts advanced by the General Fund to cover paving and related costs for the road special assessments. The General Fund will be reimbursed as special assessments are collected.

Township of Atlas
Notes to the Financial Statements
For the Fiscal Year Ended March 31, 2023

6. Interfund Receivables, Payables and Transfers - Continued

During the fiscal year ended March 31, 2023, interfund transfers reported in the Fund Statements are as follows:

	<u>Operating Transfers Out</u>		<u>Operating Transfers In</u>	
Sewer Capital Projects Fund	\$ 12,693	Sewer Capital Projects Fund	\$ 12,693	(1)

(1) To purchase additional sewer capacity

7. Subsequent Events

As of May 31, 2023, there were no subsequent events which would have a material impact on the financial statements.

8. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above.

9. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

There is a deficit Fund Balance in the Thread River Paving Fund of \$12,776. This deficit is caused by a timing issue with the payment of the paving work in this special assessment versus when the money will be collected from the residents of that district. This deficit fund balance will slowly recover over the 10-year life of the assessment.

10. Tax Abatements

For the year ended March 31, 2023, the Township does not have any tax abatement programs.

Required Supplemental Information

Township of Atlas
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended March 31, 2023

	General Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Property Taxes	\$ 431,362	\$ 431,362	\$ 449,057	\$ 17,695
Intergovernmental Revenue	709,372	709,372	705,640	(3,732)
Franchise Fees	57,000	57,000	48,840	(8,160)
Charges for Services	70,000	70,000	91,259	21,259
Interest Earnings	3,001	3,001	30,925	27,924
Other Revenues	292,251	292,251	180,877	(111,374)
Total Revenues	1,562,986	1,562,986	1,506,597	(56,389)
<u>Expenditures</u>				
General Government				
Township Board	218,692	263,941	263,548	393
Supervisor	57,945	57,945	54,304	3,641
Elections	36,775	32,775	20,865	11,910
Assessor	53,960	53,960	52,153	1,807
Clerk & Deputy Clerk	105,209	105,209	104,796	413
Board of Review	5,280	5,280	2,972	2,308
Treasurer & Deputy Treasurer	104,785	104,785	98,064	6,721
Building & Grounds	54,254	39,254	39,220	34
Cemetery	40,000	40,000	34,710	5,290
Total General Government	676,900	703,149	670,632	32,517
Public Safety				
Street Lighting	15,000	15,000	13,581	1,419
Building Department	75,634	75,634	75,379	255
Planning & Zoning	39,520	55,520	59,442	(3,922)
Total Public Safety	130,154	146,154	148,403	(2,249)
Public Works				
Roads & Drains	361,001	269,752	269,210	542
Total Public Works	361,001	269,752	269,210	542
Recreation & Culture	27,931	27,931	25,495	2,436
Capital Outlay	331,000	380,000	379,657	343
Debt Service - Principal	-	-	-	-
Debt Service - Interest	-	-	-	-
Total Expenditures	1,526,986	1,526,986	1,493,396	33,590
Excess of Revenues Over (Under) Expenditures	36,000	36,000	13,201	(22,799)
<u>Other Financing Sources (Uses)</u>				
Loan Proceeds	-	-	-	-
Operating Transfers In (Out)	(36,000)	(36,000)	-	36,000
Excess of Revenues & Operating Transfers Over (Under) Expenditures & Operating Transfers Out	-	-	13,201	13,201
Fund Balance - Beginning of Year	2,380,587	2,380,587	2,380,587	0
Fund Balance - End of Year	\$ 2,380,587	\$ 2,380,587	\$ 2,393,788	\$ 13,201

Township of Atlas
Required Supplemental Information
Budgetary Comparison Schedule
Fire Protection Fund
For The Fiscal Year Ended March 31, 2023

	Fire Protection Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Property Taxes	\$ 393,458	\$ 393,458	\$ 390,012	\$ (3,447)
Interest Earnings	500	500	6,635	6,135
Other Revenue	2,003	2,003	4,581	2,578
<u>Total Revenues</u>	395,961	395,961	401,228	5,267
<u>Expenditures</u>				
Public Safety	324,083	415,643	195,121	220,522
Capital Outlay	364,000	530,000	529,134	867
<u>Total Expenditures</u>	688,083	945,643	724,255	221,388
Excess of Revenues Over (Under) Expenditures	(292,122)	(549,682)	(323,027)	226,655
<u>Other Financing Sources (Uses)</u>				
Sale of Fixed Assets	-	-	-	-
Operating Transfers In (Out)	-	-	-	-
Excess of Revenues & Operating Transfers Over (Under) Expenditures & Operating Transfers Out	(292,122)	(549,682)	(323,027)	226,655
<u>Fund Balance - Beginning of Year</u>	902,283	902,283	902,283	(0)
<u>Fund Balance - End of Year</u>	\$ 610,161	\$ 352,601	\$ 579,256	\$ 226,655

Township of Atlas
Required Supplemental Information
Budgetary Comparison Schedule
Police Fund
For The Fiscal Year Ended March 31, 2023

	Police Fund			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
<u>Revenues</u>				
Property Taxes	\$ 826,261	\$ 826,261	\$ 819,021	\$ (7,240)
Interest Earnings	500	500	8,532	8,032
Other Revenues	4,000	4,000	5,814	1,814
<u>Total Revenues</u>	830,761	830,761	833,366	2,605
<u>Expenditures</u>				
Public Safety	830,761	830,761	616,801	213,960
<u>Total Expenditures</u>	830,761	830,761	616,801	213,960
Excess of Revenues Over (Under) Expenditures	-	-	216,566	216,566
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	-	-	-	-
Excess of Revenues & Operating Transfers Over (Under) Expenditures & Operating Transfers Out	-	-	216,566	216,566
<u>Fund Balance - Beginning of Year</u>	1,030,007	1,030,007	1,030,007	(0)
<u>Fund Balance - End of Year</u>	\$ 1,030,007	\$ 1,030,007	\$ 1,246,572	\$ 216,565

Other Supplemental Information

Township of Atlas

Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
March 31, 2023

	Special Revenue Funds							Capital Projects Fund		Total Nonmajor Governmental Funds
	Garbage Collection Fund	Aqua Weed Treatment Fund	Sewer Receiving Fund	Atlas Meadows Septic Fund	Willow Gate Fund	Recreational Pathways Fund	Thread River Paving Fund	Sewer Capital Projects Fund		
Assets										
Cash & Cash Equivalents	\$ 244,071	\$ 169,626	\$ 48,999	\$ 13,987	\$ 20,882	\$ 336,376	\$ 1,000	\$ 175,263	\$	1,010,203
Accounts Receivable	7,750	30	11,266	-	-	1,362	17,985	-		38,392
Total Assets	\$ 251,821	\$ 169,656	\$ 60,264	\$ 13,987	\$ 20,882	\$ 337,738	\$ 18,985	\$ 175,263	\$	1,048,595
Liabilities & Fund Balances										
Liabilities										
Accounts Payable	\$ 594	-	\$ 6,984	-	-	-	-	-	\$	7,578
Unearned Revenues	-	-	-	-	-	-	17,985	-	-	17,985
Due To Other Funds	-	1,316	-	-	-	-	13,776	-	-	15,093
Total Liabilities	594	1,316	6,984	-	-	-	31,761	-	-	40,655
Fund Balances										
Restricted For:										
Garbage Collection	251,227	-	-	-	-	-	-	-	-	251,227
Sewer Improvements & Operations	-	-	53,280	13,987	20,882	-	-	175,263	-	263,411
Recreational Pathways	-	-	-	-	-	337,738	-	-	-	337,738
Road Paving	-	-	-	-	-	-	(12,776)	-	-	(12,776)
Aquatic Weed Treatment	-	168,340	-	-	-	-	-	-	-	168,340
Total Fund Balances	251,227	168,340	53,280	13,987	20,882	337,738	(12,776)	175,263	-	1,007,940
Total Liabilities & Fund Balances	\$ 251,821	\$ 169,656	\$ 60,264	\$ 13,987	\$ 20,882	\$ 337,738	\$ 18,985	\$ 175,263	\$	1,048,595

Township of Atlas

Other Supplemental Information
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For The Fiscal Year Ended March 31, 2023

	Special Revenue Funds						Capital Projects Fund		Total Nonmajor Governmental Funds
	Garbage Collection Fund	Aqua Weed Treatment Fund	Sewer Receiving Fund	Atlas Meadows Septic Fund	Willow Gate Fund	Recreational Pathways Fund	Thread River Paving Fund	Sewer Capital Projects Fund	
Revenues									
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,141	\$ -	\$ -	\$ 47,141
Special Assessments	292,410	2,040	-	10,395	9,885	-	2,104	-	316,834
Charges for Services	-	-	58,150	-	-	-	-	12,000	70,150
Interest Earnings	129	3,024	-	-	-	5,805	1,004	4,005	13,967
Other Revenues	-	-	-	-	-	-	199	-	199
Total Revenues	292,539	5,064	58,150	10,395	9,885	52,946	3,308	16,005	448,291
Expenditures									
Public Works	280,749	47,022	68,783	13,308	8,890	-	-	-	418,752
Total Expenditures	280,749	47,022	68,783	13,308	8,890	-	-	-	418,752
Excess of Revenues Over (Under) Expenditures	11,790	(41,958)	(10,633)	(2,913)	995	52,946	3,308	16,005	29,539
Other Financing Sources (Uses)									
Transfers In (Out)	-	-	12,693	-	-	-	-	(12,693)	-
Net Change in Fund Balances	11,790	(41,958)	2,060	(2,913)	995	52,946	3,308	3,313	29,539
Fund Balances - Beginning of Year	239,437	210,298	51,221	16,900	19,887	284,792	(16,084)	171,950	978,401
Fund Balances - End of Year	\$ 251,227	\$ 168,340	\$ 53,280	\$ 13,987	\$ 20,882	\$ 337,738	\$ (12,776)	\$ 175,263	\$ 1,007,940

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May 31, 2023

Township of Atlas
PO Box 277
Goodrich, MI 48438

To the Members of the Board:

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the **Township of Atlas** as of and for the year ended **March 31, 2023**, in accordance with U.S. generally accepted auditing standards, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **Township of Atlas's** internal control. Accordingly, we do not express an opinion of the effectiveness of the **Township of Atlas'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 were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be 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 **Township of Atlas's** financial statements will not be prevented or detected and corrected, on a timely basis. We consider the following deficiencies in the Township's internal control to be significant deficiencies:

Segregation of Duties - One of the strongest controls in an internal control system is known as "segregation of duties". This means there are different individuals performing different duties within a specific accounting function. Having multiple individuals performing duties in the same accounting function acts as a check and balance. As is common in many small organizations, there is often only a few people, sometimes only one person, performing the accounting and financial functions. It is also common to have these individuals concentrate their efforts in one area. For example, one person does the entire payroll, one person does all the disbursing, and one person does all the billing and receipting. While this is usually more efficient, it is a weakened internal control system. There are generally insufficient checks and balances in place.

This is the situation with the **Township of Atlas**. Due to a limited staff size, the municipality has a lack of segregation of duties because various conflicting duties are performed by an insufficient number of individuals. We recommend the **Township of Atlas** segregate duties whenever possible.

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Financial Reporting - Our professional standards now define an element of internal control as an organization's ability to prepare a complete set of financial statements with footnotes in accordance with U.S. generally accepted accounting principles. We are required to communicate to management if the municipality is unable to complete this task without assistance from its auditor. It is not uncommon that many small and medium size organizations cannot provide the resources to accomplish this task. This is the situation with the **Township of Atlas**.

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

Sincerely,

King & King CPAs LLC

KING & KING CPAs LLC
Imlay City, Michigan

KING & KING CPAs LLC

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May 31, 2023

Township of Atlas
PO Box 277
Goodrich, MI 48438

To the Members of the Board:

We have audited the financial statements of the governmental activities and each major fund of the **Township of Atlas** for the year ended **March 31, 2023**. Professional standards require that we provide you with information about our responsibilities under U.S. 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 **March 29, 2021**. 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 the **Township of Atlas** 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 **Township of Atlas** 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 financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements.

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.

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Management Representations

We have requested certain representations from management that are included in the management representation letter dated **May 31, 2023**.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the **Township of Atlas'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 major fund budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Sincerely,

King & King CPAs LLC

KING & KING CPAs LLC

Imlay City, Michigan