

*Township of Schoolcraft  
Kalamazoo County, Michigan*

**FINANCIAL STATEMENTS**

*Year ended March 31, 2021*

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Township of Schoolcraft, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Schoolcraft, Michigan, as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Schoolcraft, Michigan, as of March 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required supplementary information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Siegfried Crandall P.C.*

August 4, 2021

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Township of Schoolcraft's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2021. Please read it in conjunction with the Township's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The Township's total net position decreased by \$43,156 as a result of this year's activities.
- Of the \$1,652,184 total net position reported, \$852,361 (52 percent) is available to be used to meet the Township's ongoing obligations to its citizens and customers, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$693,774, which represents 65 percent of the actual total General Fund expenditures for the current fiscal year.

### **Overview of the financial statements**

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
  - Governmental funds statements explain how government services, like general government, public safety, and public works, were financed in the short-term, as well as what remains for future spending.
  - Fiduciary funds statements provide information about the financial relationships in which the Township acts solely as a custodian for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information and other supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2021 and 2020 is also presented.

### **Government-wide financial statements**

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net position and how it has changed. Net position (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements present governmental activities. These activities include functions most commonly associated with government (e.g., general government, public safety, public works, etc.). Property taxes, charges for services, and state grants generally fund these services.

### **Fund financial statements**

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain other revenues.

The Township has two types of funds:

- *Governmental funds.* The Township's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the Township. The Township is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The Township's fiduciary balances and activities are reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

**Net position**

Total net position at the end of the fiscal year was \$1,652,184. Of this total, \$730,145 is invested in capital assets and \$69,678 is restricted for public works. Consequently, unrestricted net position was \$852,361.

*Condensed financial information*  
*Net position*

	<i>Governmental activities</i>	
	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 948,649	\$ 1,001,081
Capital assets	<u>730,145</u>	<u>742,842</u>
 Total assets	 <u>1,678,794</u>	 <u>1,743,923</u>
 Current and other liabilities	 <u>26,610</u>	 <u>48,583</u>
 Net position:		
Investment in capital assets	730,145	742,842
Restricted	69,678	56,689
Unrestricted	<u>852,361</u>	<u>895,809</u>
 Total net position	 <u>\$ 1,652,184</u>	 <u>\$ 1,695,340</u>

**Changes in net position**

The Township's total revenues were \$1,107,119. Approximately 38 percent of the Township's revenues comes from state grants and 28 percent comes from property taxes.

The total cost of the Township's programs totaled \$1,150,275. Approximately 45 percent of the Township's expenses relate to general government costs. Public safety activities account for 19 percent and public works costs are 26 percent of the Township's total expenses.



*Condensed financial information  
Changes in net position*

	<i>Governmental activities</i>	
	<u>2021</u>	<u>2020</u>
Program revenues:		
Charges for services	\$ 321,397	\$ 293,032
Operating grants and contributions	6,088	4,992
General revenues:		
Property taxes	308,894	292,090
Franchise fees	51,163	49,710
State grants	418,416	417,431
Interest income	1,161	16,324
	<u>1,107,119</u>	<u>1,073,579</u>
Expenses:		
General government	520,823	528,425
Public safety	223,417	220,071
Public works	300,072	239,903
Health and welfare	2,068	2,068
Community and economic development	8,956	6,127
Recreation and culture	94,939	112,566
	<u>1,150,275</u>	<u>1,109,160</u>
Changes in net position	<u>\$ (43,156)</u>	<u>\$ (35,581)</u>
Net position, end of year	<u>\$ 1,652,184</u>	<u>\$ 1,695,340</u>

**Governmental activities**

Governmental activities decreased the Township's net position by \$43,156 in the current year, compared to a \$35,581 decrease in the prior year. Property tax revenues increased as the Township experienced an increase in taxable values. Public works costs increased as the Township incurred additional costs for road maintenance. The Township saw slight changes in all other activities.

The total cost of governmental activities this year was \$1,150,275. After subtracting the direct charges to those who directly benefited from the programs (\$321,397) and operating grants (\$6,088), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$822,790.

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$922,039, a decrease of \$30,459 from the prior year.

The General Fund is the primary operating fund of the Township. At the end of the fiscal year, fund balance was \$697,959, a decrease of \$43,608 during the fiscal year, as expenditures of \$1,063,766 exceeded revenues of \$1,020,158.

The Barton Lake Weed Fund is used to account for special assessments restricted for aquatic weed control. Its fund balance at the end of the current fiscal year was \$40,626, a decrease of \$6,340, as current year public works costs of \$45,091 exceeded revenues of \$38,751.

The Water and Sewer Improvement Fund is a capital project fund which is used to account for financial resources for the improvement and maintenance of utility lines within the Township. The fund balance increased by \$160, which represents interest earned on deposits. The ending fund balance totaled \$154,402.

**General Fund budgetary highlights**

Revenues were \$56,758 more than budgeted, as revenues from state grants, property tax, and other sources were greater than expected by \$5,504, \$50,404, and \$17,207 respectively. Expenditures were \$128,672 less than the amounts appropriated. Nearly all activities of the General Fund finished the fiscal year end with positive budget variances. The Township experienced higher than anticipated costs for the buildings and grounds activity, which accounted for negative budgetary variances. Overall, these variances, and several smaller variances, combined for a \$185,430 positive budget variance, with a \$43,608 decrease in fund balance compared to a budget that anticipated a \$229,038 decrease.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets**

The Township's investment in capital assets for its governmental activities as of March 31, 2021, amounts to \$730,145 (net of accumulated depreciation). This investment includes land, buildings, and equipment. The Township's net investment in capital assets decreased by \$12,697 for the current year, as asset acquisitions of \$36,174 were exceeded by depreciation expense of \$48,871 in the current year.

Major capital asset events during the current fiscal year included security system upgrades for the park at a cost of \$5,030 and township building improvements totaling \$24,804.

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

**Debt**

The Township had no debt outstanding at the beginning or end of the fiscal year.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Township plans to primarily use current revenues to provide essential services in fiscal year 2022 in order to maintain current fund balances. Expenditures are expected to increase by nominal amounts compared to fiscal year 2021. The ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition and operational capabilities of the Township.

The Township plans to maintain all ongoing programs for 2022.

**CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

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

Don Ulsh, Township Supervisor  
Township of Schoolcraft  
50 East VW Avenue  
Vicksburg, MI 49097

Phone: (269) 649-1276

## **BASIC FINANCIAL STATEMENTS**

**Township of Schoolcraft**

**STATEMENT OF NET POSITION**

March 31, 2021

	<b><i>Governmental activities</i></b>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 841,477
Receivables	102,987
Prepays	<u>4,185</u>
Total current assets	<u>948,649</u>
Noncurrent assets:	
Capital assets not being depreciated - land	121,903
Capital assets, net of accumulated depreciation	<u>608,242</u>
Total noncurrent assets	<u>730,145</u>
Total assets	<u>1,678,794</u>
<b>LIABILITIES</b>	
Current liabilities - payables	<u>26,610</u>
<b>NET POSITION</b>	
Investment in capital assets	730,145
Restricted for public works	69,678
Unrestricted	<u>852,361</u>
Total net position	<u>\$ 1,652,184</u>

See notes to financial statements

Township of Schoolcraft

**STATEMENT OF ACTIVITIES**

Year ended March 31, 2021

	<u>Program revenues</u>			<i>Net (expenses) revenues and change in net position</i>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
<b>Functions/Programs</b>				
Governmental activities:				
General government	\$ 520,823	\$ 213,021	\$ -	\$ (307,802)
Public safety	223,417	-	-	(223,417)
Public works	300,072	94,428	6,088	(199,556)
Health and welfare	2,068	-	-	(2,068)
Community and economic development	8,956	13,448	-	4,492
Recreation and culture	<u>94,939</u>	<u>500</u>	<u>-</u>	<u>(94,439)</u>
Total governmental activities	<u>\$ 1,150,275</u>	<u>\$ 321,397</u>	<u>\$ 6,088</u>	<u>(822,790)</u>
General revenues:				
State grants				418,416
Property taxes				308,894
Franchise fees				51,163
Interest				<u>1,161</u>
Total general revenues				<u>779,634</u>
Change in net position				(43,156)
Net position - beginning				<u>1,695,340</u>
Net position - ending				<u>\$ 1,652,184</u>

See notes to financial statements

Township of Schoolcraft

**BALANCE SHEET - governmental funds**

March 31, 2021

	<u>General</u>	<u>Barton Lake Weed</u>	<u>Water and Sewer Improvement</u>	<u>Nonmajor fund</u>	<u>Total governmental funds</u>
<b>ASSETS</b>					
Cash	\$ 615,389	\$ 43,030	\$ 154,402	\$ 28,656	\$ 841,477
Receivables	102,245	346	-	396	102,987
Prepaid expenditures	4,185	-	-	-	4,185
	<u>721,819</u>	<u>43,376</u>	<u>154,402</u>	<u>29,052</u>	<u>948,649</u>
Total assets					
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities - payables	\$ 23,860	\$ 2,750	\$ -	\$ -	\$ 26,610
Fund balances:					
Nonspendable	4,185	-	-	-	4,185
Restricted for public works	-	40,626	-	29,052	69,678
Assigned for public works	-	-	154,402	-	154,402
Unassigned	693,774	-	-	-	693,774
	<u>697,959</u>	<u>40,626</u>	<u>154,402</u>	<u>29,052</u>	<u>922,039</u>
Total fund balances					
Total liabilities and fund balances	<u>\$ 721,819</u>	<u>\$ 43,376</u>	<u>\$ 154,402</u>	<u>\$ 29,052</u>	<u>\$ 948,649</u>

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds \$ 922,039

Amounts reported for *governmental activities* in the statement of net position (page 11) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 730,145

Net position of *governmental activities* \$ 1,652,184

Township of Schoolcraft

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds**

Year ended March 31, 2021

	<u>General</u>	<u>Barton Lake Weed</u>	<u>Water and Sewer Improvement</u>	<u>Nonmajor fund</u>	<u>Total governmental funds</u>
<b>REVENUES</b>					
Taxes	\$ 465,104	\$ -	\$ -	\$ -	\$ 465,104
Licenses and permits	51,163	-	-	-	51,163
State grants	424,504	-	-	-	424,504
Charges for services	52,829	-	-	-	52,829
Interest and rentals	1,001	-	160	-	1,161
Other	25,557	38,751	-	48,050	112,358
	<u>1,020,158</u>	<u>38,751</u>	<u>160</u>	<u>48,050</u>	<u>1,107,119</u>
Total revenues					
<b>EXPENDITURES</b>					
Current:					
General government	488,543	-	-	-	488,543
Public safety	223,417	-	-	-	223,417
Public works	226,260	45,091	-	28,721	300,072
Health and welfare	2,068	-	-	-	2,068
Community and economic development	8,956	-	-	-	8,956
Culture and recreation	49,041	-	-	-	49,041
Capital outlay	65,481	-	-	-	65,481
	<u>1,063,766</u>	<u>45,091</u>	<u>-</u>	<u>28,721</u>	<u>1,137,578</u>
Total expenditures					
<b>NET CHANGES IN FUND BALANCES</b>	(43,608)	(6,340)	160	19,329	(30,459)
<b>FUND BALANCES - BEGINNING</b>	<u>741,567</u>	<u>46,966</u>	<u>154,242</u>	<u>9,723</u>	<u>952,498</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 697,959</u>	<u>\$ 40,626</u>	<u>\$ 154,402</u>	<u>\$ 29,052</u>	<u>\$ 922,039</u>

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities.

Net change in fund balance - total governmental funds \$ (30,459)

Amounts reported for *governmental activities* in the statement of activities (page 12) are different because:

Capital assets:

Assets acquired	36,174
Provision for depreciation	<u>(48,871)</u>

Change in net position of *governmental activities* \$ (43,156)

See notes to financial statements



*Township of Schoolcraft*

**STATEMENT OF FIDUCIARY NET POSTION - *custodial funds***

*March 31, 2021*

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	<i>Tax Collection</i>	<i>General Custodial</i>
<b>ASSETS</b>		
Cash	\$ -	\$ 13
<b>LIABILITIES</b>		
Due to other governments	-	13
<b>NET POSITION</b>		
Restricted for individuals and other governments	<u>\$ -</u>	<u>\$ -</u>

*See notes to financial statements*

**Township of Schoolcraft**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - *custodial funds***

*Year ended March 31, 2021*

	<u><i>Tax Collection</i></u>	<u><i>General Custodial</i></u>
<b>ADDITIONS</b>		
Property taxes collections for other governments	\$ 13,354,861	\$ 16,629
<b>DEDUCTIONS</b>		
Payments of property taxes to other governments	<u>13,354,861</u>	<u>16,629</u>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	-	-
<b>NET POSITION - BEGINNING</b>	<u>-</u>	<u>-</u>
<b>NET POSTION - ENDING</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

*See notes to financial statements*

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

The accounting policies of the Township of Schoolcraft, Michigan (the Township), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

*Reporting entity:*

As required by generally accepted accounting principles, these financial statements present only the Township (located in Kalamazoo County), as there are no other entities for which the Township is considered to be financially accountable.

*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 Township. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes 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 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. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds 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 if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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 only when cash is received by the Township.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement focus, basis of accounting, and financial statement presentation (continued):*

The Township reports the following major governmental funds:

The General Fund is the Township’s primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Barton Lake Weed Fund, a special revenue fund, accounts for resources used to remediate aquatic weeds in Barton Lake. Revenues are primarily derived from special assessments.

The Water and Sewer Improvement Fund, a capital projects fund, accounts for resources assigned for the improvement and maintenance of the Township’s sewer and water infrastructure.

Additionally, the Township reports the following fund types:

The special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The Township reports custodial funds, the Tax Collection Fund and the General Custodial Fund, which account for assets held by the Township in a fiduciary capacity for other governments.

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.

*Assets, liabilities, and equity:*

*Cash* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

*Receivables* - In general, outstanding balances between funds are reported as “due to/from other funds.” No allowance for uncollectible accounts has been recorded, as the Township considers all receivables to be fully collectible.

*Capital assets* - Capital assets, which can include property, plant, equipment, and infrastructure (e.g., streets and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,500 (\$10,000 for infrastructure assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

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

Buildings and improvements	20 - 50 years
Equipment	5 - 15 years

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Assets, liabilities, and equity (continued):*

*Net position* - Net position represents the difference between assets and liabilities. The Township reports three categories of net position, as follows: (1) *Investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Township's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Township.

*Net position flow assumption* - Sometimes, the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide 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.

*Fund equity* - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Township Board retains the authority to assign fund balances as to purpose. Unassigned fund balance is the amount that does not fall into any other category above. This is the residual classification for amounts in the General Fund. When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township's policy to use the restricted fund balance first, followed by committed fund balance, then assigned fund balance, and, finally, unassigned fund balance.

*Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

*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 at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

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

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for certain governmental funds. The budget document presents information by fund, function, and activity. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

*Excess of expenditures over appropriations* - The following schedule sets forth reportable budget variances:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Buildings and grounds	\$ 20,085	\$ 26,693	\$ 6,608

**NOTE 3 - CASH**

Cash, as presented in the accompanying financial statements, consists of the following:

	<u>Governmental activities</u>	<u>Fiduciary activities</u>	<u>Totals</u>
Deposits	\$ 840,977	\$ 13	\$ 840,990
Cash on hand	<u>500</u>	<u>-</u>	<u>500</u>
Total cash	<u>\$ 841,477</u>	<u>\$ 13</u>	<u>\$ 841,490</u>

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township's investment policy does not specifically address custodial credit risk for deposits. At March 31, 2021, \$315,960 of the Township's bank balances of \$973,548 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**NOTE 4 - RECEIVABLES**

Receivables as of March 31, 2021, for the Township's individual major and nonmajor funds were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 12,351	\$ 8,582	\$ -	\$ 81,312	\$ 102,245
Barton Lake Weed	-	-	346	-	346
Nonmajor	-	-	396	-	396
Totals	<u>\$ 12,351</u>	<u>\$ 8,582</u>	<u>\$ 742</u>	<u>\$ 81,312</u>	<u>\$ 102,987</u>

All receivables are considered fully collectible.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2021, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 121,903	\$ -	\$ -	\$ 121,903
Capital assets being depreciated:				
Buildings and improvements	1,096,658	24,804	-	1,121,462
Equipment	263,173	11,370	-	274,543
Subtotal	<u>1,359,831</u>	<u>36,174</u>	<u>-</u>	<u>1,396,005</u>
Less accumulated depreciation for:				
Buildings and improvements	(570,884)	(34,028)	-	(604,912)
Equipment	(168,008)	(14,843)	-	(182,851)
Subtotal	<u>(738,892)</u>	<u>(48,871)</u>	<u>-</u>	<u>(787,763)</u>
Total capital assets being depreciated, net	<u>620,939</u>	<u>(12,697)</u>	<u>-</u>	<u>608,242</u>
Governmental activities capital assets, net	<u>\$ 742,842</u>	<u>\$ (12,697)</u>	<u>\$ -</u>	<u>\$ 730,145</u>

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

Governmental activities:	
General government	\$ 23,367
Culture and recreation	<u>25,504</u>
Total governmental activities	<u>\$ 48,871</u>

**NOTE 6 - PROPERTY TAX REVENUES**

The 2020 taxable valuation of the Township approximated \$346,327,000, on which ad valorem taxes levied consisted of 0.8712 mills for operating purposes, raising approximately \$302,000. This amount is recognized in the fund financial statements as property tax revenue.

**NOTE 7 - TAX ABATEMENTS**

The Township enters into property tax abatement agreements with local businesses under the Act 198 of 1974, related to industrial facilities. Under the Act, localities may grant property tax abatements of up to 50 percent of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Township. Depending on the terms of the agreement and state law, abated taxes may be subject to recapture upon default of the entity. The Township has not made any commitments as part of the agreements other than to reduce taxes. The Township is not subject to any tax abatement agreements entered into by other governmental entities.

For the fiscal year ended March 31, 2021, the Township abated property taxes totaling \$4,945 under this program, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A 42% property tax abatement to J. Rettenmaier. The abatement amounted to \$2,087.
- A 16% property tax abatement to Eimo Technologies Inc. The abatement amounted to \$769.
- An 11% property tax abatement to Summit Polymers. The abatement amounted to \$547.

**NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN**

The Township and its employees contribute to the Schoolcraft Township 457 Plan, a defined contribution pension plan, which is administered by a third-party administrator. The plan covers all elected officials, who are eligible to participate from the date they are elected to office.

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Township Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate as described above. The Township annually contributes 10% of the participant's base wages to the plan. Employees are permitted to make contributions to the Plan, up to applicable Internal Revenue Code limits. For the year ended March 31, 2021, the Township and eligible employees made contributions of \$14,101 and \$9,000, respectively. At March 31, 2021, the Township reported no accrued liability as part of the contributions to the plan.

The Township's contributions for each employee (and investment earnings allocated to the employee's account) are fully vested immediately.

The Township is not a trustee of the defined contribution pension plan, nor is the Township responsible for investment management of the pension plan assets. Accordingly, plan assets, and changes therein, are not reported in these financial statements.

**NOTE 9 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 10 - JOINT VENTURES**

The Township is a member of the South Kalamazoo County Fire Authority (the Authority), which is a joint venture of the Townships of Schoolcraft, Brady, Prairie Ronde, and Wakeshma, and the Villages of Schoolcraft and Vicksburg. The administrative board of the Authority consists of members appointed by each participating unit. The Authority was formed to jointly provide fire protection services within the combined service area, which encompasses the participating municipalities. During the year ended March 31, 2021, the Township of Schoolcraft contributed \$206,394 as its proportionate share of the Authority's budgeted costs. Complete audited financial statements for the Authority can be obtained from the Treasurer of the Township of Schoolcraft.



**NOTE 10 - JOINT VENTURES (Continued)**

The Township is a member of the South Central Michigan Construction Code Inspection, Inc. (SCMCCI), which is a joint venture of the City of Bay City, Tuscola County, Homer Township, Schoolcraft Township, Leonidas Township, Brady Township, Park Township, Lockport Township, Sherman Township, NHPB Indian Housing Authority, and Wakeshma Township. The administrative board of the Authority consists of five directors elected from appointed representative from each member municipality. In addition, three at-large board members are elected by all representatives. The SCMCCI was established to administer and enforce the Michigan State Construction Code within its constituent municipalities. Complete audited financial statements for the SCMCCI can be obtained by contacting their offices at 113 S. Capital Avenue, Athens, MI 49011.

The interlocal agreements that established these joint ventures do not convey to the Township an explicit equity interest in the joint ventures. Accordingly, no equity interests in a joint venture are reported as assets of the Township.

The Township is unaware of any indication that either joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden on the Township in the near future.

**NOTE 11 - JOINTLY GOVERNED ORGANIZATION**

The Township, in conjunction with the Townships of Brady and Pavilion, and the Village of Schoolcraft (all within Kalamazoo County), created the South County Sewer and Water Authority (the Authority). The Authority's board is comprised of one elected official from each of the four units of government. The Township of Schoolcraft did not provide support to the Authority in 2021. The Township does not retain an ongoing financial interest or responsibility in the Authority.

**NOTE 12 - PENDING ACCOUNTING PRONOUNCEMENT**

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for periods beginning after June 15, 2021. The objective of this Statement is to increase the usefulness of governments' 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 governments' leasing activities.

**REQUIRED SUPPLEMENTARY INFORMATION**

Township of Schoolcraft

**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended March 31, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 414,700	\$ 414,700	\$ 465,104	\$ 50,404
Licenses and permits	50,000	50,000	51,163	1,163
State grants	419,000	419,000	424,504	5,504
Charges for services	70,050	70,050	52,829	(17,221)
Interest and rentals	1,300	1,300	1,001	(299)
Other	8,350	8,350	25,557	17,207
	<u>963,400</u>	<u>963,400</u>	<u>1,020,158</u>	<u>56,758</u>
Total revenues				
<b>EXPENDITURES</b>				
General government:				
Legislative	3,970	4,745	3,264	1,481
Supervisor	58,676	58,676	57,412	1,264
Elections	13,324	13,324	10,551	2,773
Assessor	83,485	63,850	62,252	1,598
Clerk	58,709	58,709	58,498	211
Board of review	1,550	1,550	1,238	312
Treasurer	59,209	59,209	58,498	711
Buildings and grounds	20,085	20,085	26,693	(6,608)
Cemetery	86,100	99,100	97,633	1,467
General administration	116,500	116,500	112,504	3,996
	<u>501,608</u>	<u>495,748</u>	<u>488,543</u>	<u>7,205</u>
Total general government				
Public safety:				
Fire protection	206,400	206,400	206,394	6
Compliance officer	8,750	17,550	17,023	527
	<u>215,150</u>	<u>223,950</u>	<u>223,417</u>	<u>533</u>
Total public safety				
Public works:				
Road improvements and maintenance	250,000	250,000	211,135	38,865
Street lights	8,800	9,650	8,924	726
Drains	3,000	3,000	2,310	690
Hazardous waste	4,000	4,000	3,891	109
	<u>265,800</u>	<u>266,650</u>	<u>226,260</u>	<u>40,390</u>
Total public works				
Health and welfare - Pollution control	<u>2,100</u>	<u>2,100</u>	<u>2,068</u>	<u>32</u>

Township of Schoolcraft

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>EXPENDITURES (Continued)</b>				
Community and economic development:				
Planning	\$ 5,260	\$ 5,260	\$ 3,447	\$ 1,813
Zoning	<u>2,720</u>	<u>6,930</u>	<u>5,509</u>	<u>1,421</u>
Total community and economic development	<u>7,980</u>	<u>12,190</u>	<u>8,956</u>	<u>3,234</u>
Recreation and culture:				
Community center	8,500	8,500	8,500	-
Township park	42,700	42,700	40,224	2,476
Concession stand	22,600	14,600	317	14,283
Historical societies	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total culture and recreation	<u>74,800</u>	<u>66,800</u>	<u>49,041</u>	<u>17,759</u>
Capital outlay	<u>125,000</u>	<u>125,000</u>	<u>65,481</u>	<u>59,519</u>
Total expenditures	<u>1,192,438</u>	<u>1,192,438</u>	<u>1,063,766</u>	<u>128,672</u>
<b>NET CHANGES IN FUND BALANCES</b>	(229,038)	(229,038)	(43,608)	185,430
<b>FUND BALANCES - BEGINNING</b>	<u>741,567</u>	<u>741,567</u>	<u>741,567</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 512,529</u>	<u>\$ 512,529</u>	<u>\$ 697,959</u>	<u>\$ 185,430</u>

Township of Schoolcraft

**BUDGETARY COMPARISON SCHEDULE - Barton Lake Weed Fund**

Year ended March 31, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
Other - assessments	\$ 38,750	\$ 38,750	\$ 38,751	\$ 1
<b>EXPENDITURES</b>				
Public works - aquatic weed control	<u>38,750</u>	<u>45,250</u>	<u>45,091</u>	<u>159</u>
<b>NET CHANGES IN FUND BALANCES</b>	-	(6,500)	(6,340)	160
<b>FUND BALANCES - BEGINNING</b>	<u>46,966</u>	<u>46,966</u>	<u>46,966</u>	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 46,966</u>	<u>\$ 40,466</u>	<u>\$ 40,626</u>	<u>\$ 160</u>