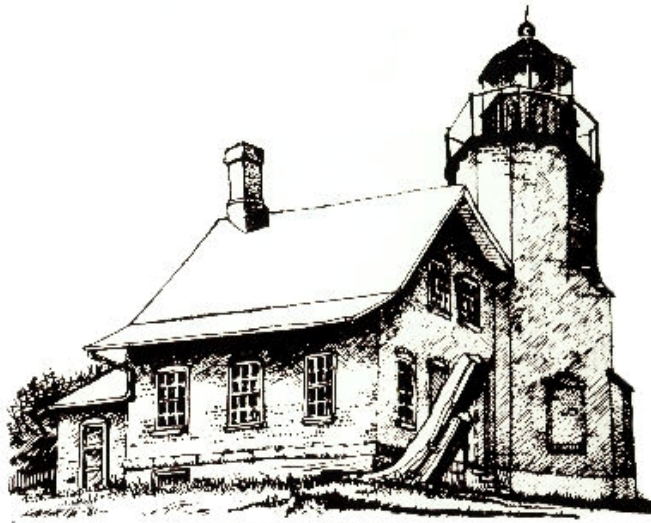


Fruitland Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

March 31, 2023



**Fruitland Township
White River Light Station Museum**

Fruitland Township

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INDEPENDENT AUDITOR’S REPORT

Township Board
Fruitland Township
Whitehall, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Fruitland Township, Michigan, as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise Fruitland Township, Michigan’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fruitland Township, Michigan, as of March 31, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fruitland Township, Michigan, 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.

Change in Accounting Principle

As discussed in Note I to the financial statements, in the year ended March 31, 2023 the Township adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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 Fruitland Township, Michigan’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

Township Board
Fruitland Township
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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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.



Muskegon, Michigan
June 27, 2023

As management of Fruitland Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2023. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHT

The General Fund fund balance increased \$524,891.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Position presents information on all of the Township's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net position changed during the fiscal year. All changes in net position are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, health and welfare, community and economic development and culture and recreation activities. The Township does not currently have any business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories—governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Fruitland Township maintains one governmental fund, the General Fund.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual revenues and expenditures for the General Fund.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide Statement of Net Position for the Township. As stated earlier, net position may be used as an indicator of a government's financial health. As of March 31, 2023, the Township's net position from governmental activities totaled \$4,065,136.

Current assets increased as the Township had a surplus. Capital assets increased because current year capital additions exceeded depreciation. Current liabilities decreased due to a decrease in current year account payables and accrued expenses.

In examining the composition of net position, the reader should note that governmental activities include net position that is invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Certain other governmental net position is shown as restricted, meaning that it is subject to external restrictions on how it may be used. The unrestricted net position for governmental activities depicts a balance of \$2,978,294. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Position

	Governmental Activities	
	2023	2022 (as restated)
Current and other assets	\$ 3,599,298	\$ 3,088,241
Capital assets	931,052	868,665
Total assets	4,530,350	3,956,906
Current liabilities	324,560	333,999
Deferred inflows of resources	140,654	145,049
Total liabilities and deferred inflows of resources	465,214	479,048
Net position		
Net investment in capital assets	931,052	868,665
Restricted	155,790	152,983
Unrestricted	2,978,294	2,456,210
Total net position	\$ 4,065,136	\$ 3,477,858

In 2023, the Township adopted Government Accounting Standards Board (GASB) Statement No. 87, which requires recognition of certain assets and deferred inflows 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 contracts. The adoption of this standard had no impact on net position. See Note I, in the notes to the financial statements, for more detail.

Governmental Activities

Net position of the Township’s governmental activities increased by \$587,278 (16.9%) during the 2023 fiscal year. The following table shows these results.

Property taxes increased due to growth in taxable value. Grants and contributions not restricted increased due to the Township utilizing American Rescue Plan Act (ARPA) funds and an increase in State revenue sharing. Miscellaneous revenues increased due to timber sales. General government expenses increased due to State elections, tree trimming, and noncapital improvements and purchases. Health and welfare expenses increased due to new programs for seniors. The following table depicts these occurrences.

Change in Net Position

	Governmental Activities	
	2023	2022
Revenues:		
Program revenues		
Charges for services	\$ 224,014	\$ 242,337
Operating grants and contributions	51,043	32,266
Capital grants and contributions	570	-
General revenues		
Property taxes	429,411	411,868
Franchise fees	44,679	43,596
Grants and contributions not restricted	957,626	582,153
Unrestricted investments earnings	18,213	4,036
Miscellaneous	95,175	9,422
Total revenues	1,820,731	1,325,678
Expenses:		
General government	522,872	469,317
Public safety	238,869	223,530
Public works	298,782	304,833
Health and welfare	52,971	20,155
Community and economic development	40,339	33,357
Culture and recreation	79,620	61,790
Total expenses	1,233,453	1,112,982
Change in net position	587,278	212,696
Net position - Beginning	3,477,858	3,265,162
Net position - Ending	\$ 4,065,136	\$ 3,477,858

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Fruitland Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Township. The General Fund ended the year with a fund balance of \$3,134,084, an increase of \$524,891. The health of the General Fund may be measured by the ratio of unassigned fund balance to annual expenditures. Unassigned fund balance represents 152% of the General Fund's expenditures (145% in the prior year).

At the end of the 2023 fiscal year, the Township's General Fund reported unassigned fund balance of \$1,971,255. The remainder of the fund balance is nonspendable for prepaid items or restricted for right-of-way improvements of \$59,699, public works utilities of \$84,162, White River Light Station preservation and maintenance of \$10,000, and Township hall improvements of \$1,929. In addition, the Township Board has committed \$849,694 for road construction and maintenance and \$157,044 for equipment replacement.

General Fund Budget

During the current fiscal year, the Township made the following significant budget amendments:

- The property taxes revenues budget was increased by \$31,614 due to higher than initially expected taxable values and administration fees.
- The licenses and permits revenues budget was increased by \$25,990 due to increased building activity.
- The state intergovernmental revenues budget was increased by \$242,648 due to additional revenue sharing from the State.
- The other revenues budget was increased by \$93,896 for logging done during the year.
- The building inspections expenditures budget was increased by \$17,200 due to increased building activity.
- The road construction and maintenance expenditures budget was increased by \$46,119 due to spending ARPA funds on subdivision roads.
- The parks expenditures budget was increased by \$71,045 due to anticipated ARPA funded park improvements.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Intergovernmental revenues - State were under budget by \$97,920 due to a miscalculation in expected revenue sharing during the budget process.
- Charges for services were under budget by \$24,600 as there was less ecology station activity.
- Hall and grounds expenditures were under budget by \$27,635 as Township hall improvements were delayed into next fiscal year.

- Road construction and maintenance expenditures were under budget by \$88,827 as the Township delayed the Jay Road and the subdivision roads projects.
- Sanitation expenditures were under budget by \$22,640 due to less activity at the ecology station.
- Parks expenditures were under budget by \$77,708 as anticipated park improvements projects were delayed and will take place in future years.
- Capital outlay expenditures were under budget by \$43,755 due to capital purchases for parks being delayed until next year.

Capital Assets

The Township’s investment in capital assets for its governmental activities as of March 31, 2023 totaled \$931,052 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment and vehicles.

During the fiscal year, the Township purchased a scoreboard for the baseball field at the Township hall.

Capital Assets

	Governmental Activities	
	2023	2022
Land	\$ 400,913	\$ 400,913
Buildings and improvements	419,818	369,559
Equipment and vehicles	110,321	98,193
Total	\$ 931,052	\$ 868,665

Additional information on the Township’s capital assets can be found in Note D of the “Notes to Financial Statements” of this report.

General Economic Overview

The Township’s General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. These two sources comprise approximately 60 percent of the General Fund's revenue sources. In fiscal year 2024, the Township is conservatively budgeting no change in revenue sharing and property tax revenues.

The Township expects General Fund expenditures for operations in fiscal year 2024 to be about the same as the prior year. The Township is in the midst of a multi-year road improvement project with the Road Commission. For fiscal year 2024, improvements to portions Jay Road and subdivision roads are budgeted. The Township’s share of these projects is approximately \$85,000. For capital activity, the Township has budgeted improvements the Ecology Station, a generator and observation deck for the museum, office upgrades, and park improvements including tennis/pickleball courts, irrigation, and Wi-Fi. The cost of these improvements is expected to be approximately \$350,000. Approximately \$300,000 of these improvements will be funded with remaining American Rescue Plan Act (ARPA) funds.

Requests for Information

This financial report is designed to provide a general overview of Fruitland Township’s finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fruitland Township, 4545 Nestrom Road, Whitehall, MI 49461 or telephone (231) 766-3208.

Fruitland Township
STATEMENT OF NET POSITION
 March 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and investments	\$ 3,346,811
Receivables	
Accounts	3,039
Property taxes	15,805
Leases	4,668
Due from other governmental units	92,688
Prepaid items	301
Total current assets	<u>3,463,312</u>
Noncurrent assets	
Leases receivable, less amounts due within one year	135,986
Capital assets, net	
Nondepreciable	400,913
Depreciable	530,139
Total noncurrent assets	<u>1,067,038</u>
Total assets	<u>4,530,350</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	21,368
Unearned revenue - expenditure-driven grants	303,192
Total liabilities	<u>324,560</u>
DEFERRED INFLOWS OF RESOURCES	
Related to leases	140,654
Total liabilities and deferred inflows of resources	<u>465,214</u>
NET POSITION	
Net investment in capital assets	931,052
Restricted	
Right-of-way	59,699
Public works - utilities	84,162
White River Light Station preservation and maintenance	10,000
Township Hall capital improvements	1,929
Unrestricted	2,978,294
Total net position	<u><u>\$ 4,065,136</u></u>

The accompanying notes are an integral part of this statement.

Fruitland Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2023

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities					
General government	\$ 522,872	\$ 8,222	\$ -	\$ -	\$ (514,650)
Public safety	238,869	130,233	3,050	-	(105,586)
Public works	298,782	70,221	10,108	-	(218,453)
Health and welfare	52,971	-	25,085	-	(27,886)
Community and economic development	40,339	8,900	-	-	(31,439)
Culture and recreation	79,620	6,438	12,800	570	(59,812)
Total governmental activities	\$ 1,233,453	\$ 224,014	\$ 51,043	\$ 570	(957,826)
General revenues					
Property taxes, levied for general purposes					429,411
Franchise fees					44,679
Grants and contributions not restricted to specific programs					957,626
Unrestricted investment earnings					18,213
Miscellaneous					95,175
Total general revenues					<u>1,545,104</u>
Change in net position					587,278
Net position at beginning of year					<u>3,477,858</u>
Net position at end of year					<u>\$ 4,065,136</u>

The accompanying notes are an integral part of this statement.

Fruitland Township
BALANCE SHEET
 Governmental Funds
 March 31, 2023

	General Fund
ASSETS	
Cash and investments	\$ 3,346,811
Receivables	
Accounts	3,039
Property taxes	15,805
Leases	140,654
Due from other governmental units	92,688
Prepaid items	301
Total assets	\$ 3,599,298
LIABILITIES	
Accounts payable	\$ 21,367
Accrued liabilities	1
Unearned revenue - expenditure-driven grants	303,192
Total liabilities	324,560
DEFERRED INFLAWS OF RESOURCES	
Related to leases	140,654
FUND BALANCES	
Nonspendable - prepaid items	301
Restricted	
Right-of-way	59,699
Public works - utilities	84,162
White River Light Station preservation and maintenance	10,000
Township Hall capital improvements	1,929
Committed	
Road construction and maintenance	849,694
Equipment replacement	157,044
Unassigned	1,971,255
Total fund balances	3,134,084
Total liabilities and fund balances	\$ 3,599,298

The accompanying notes are an integral part of this statement.

Fruitland Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 March 31, 2023

Total fund balances—governmental funds	\$ 3,134,084
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Cost of capital assets	\$ 1,532,273	
Accumulated depreciation	<u>(601,221)</u>	<u>931,052</u>
Net position of governmental activities		<u><u>\$ 4,065,136</u></u>

The accompanying notes are an integral part of this statement.

Fruitland Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended March 31, 2023

	General Fund
REVENUES	
Property taxes	\$ 429,411
Licenses and permits	179,977
Intergovernmental revenues	
Federal	300,000
State	670,784
Local	25,085
Charges for services	87,983
Fines and forfeitures	107
Investment earnings	18,213
Other	109,171
	1,820,731
Total revenues	
 EXPENDITURES	
Current	
General government	495,703
Public safety	238,770
Public works	301,167
Health and welfare	52,971
Community and economic development	40,339
Culture and recreation	66,940
Capital outlay	99,950
	1,295,840
Total expenditures	
Net change in fund balance	524,891
Fund balance at beginning of year	2,609,193
Fund balance at end of year	\$ 3,134,084

The accompanying notes are an integral part of this statement.

Fruitland Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended March 31, 2023

Net change in fund balance—total governmental funds \$ 524,891

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

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	\$ (36,715)	
Capital outlay	<u>99,950</u>	63,235

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the remaining undepreciated cost of the capital assets sold.

(848)

Change in net position of governmental activities	<u><u>\$ 587,278</u></u>
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The accompanying notes are an integral part of this statement.

Fruitland Township
STATEMENT OF NET POSITION
 Fiduciary Funds
 March 31, 2023

	Custodial Funds		
	Escrow	Current Tax	Total
ASSETS			
Cash and investments	\$ 1,557	\$ -	\$ 1,557
LIABILITIES			
Deposits held for others	1,557	-	1,557
NET POSITION			
Restricted for individuals, organizations and other governments	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this statement.

Fruitland Township
STATEMENT OF CHANGES IN NET POSITION
 Fiduciary Funds
 For the year ended March 31, 2023

	Custodial Funds		
	Escrow	Current Tax	Total
ADDITIONS			
Property tax collections for other governments	\$ -	\$ 11,906,685	\$ 11,906,685
DEDUCTIONS			
Payments of property taxes to other governments	-	11,906,685	11,906,685
Change in net position	-	-	-
Net position at beginning of year	-	-	-
Net position at end of year	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this statement.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Fruitland Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is a common law township governed by an elected seven-member board. Generally accepted accounting principles require that if the Township is considered to be financially accountable for other organizations, those organizations should be included as component units in the Township's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—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. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The Township has no business-type activities.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The fund financial statements provide information about the Township's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Township reports the following major governmental 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.

Additionally, the Township reports the following fund type:

The Custodial Fund is used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

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 revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. 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 government.

The fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

The Township's cash and cash equivalents are 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.

Investments for the Township are reported at fair value (generally based on quoted market prices).

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Lease Receivable

The Township is a lessor for a certain noncancelable lease. The Township recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements for the lease.

At the commencement of a lease, the Township initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the Township determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The Township uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Township monitors changes in circumstances that would require a remeasurement of a lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years.

As the Township constructs or acquires additional capital assets each period they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Buildings and improvements	15-60
Equipment and vehicles	3-10

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Deferred Outflows/Inflows 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, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township also reports unavailable revenues from one source: leases. These amounts are long-term leases entered into by the Township in which the Township is the lessor. These amounts are recognized as revenue over the term of the lease agreements.

Net Position Flow Assumption

Sometimes the government 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 of net position to report as restricted and unrestricted 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 Balance Flow Assumptions

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental 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 fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Township itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Township's highest level of decision-making authority. The Township Board is the highest level of decision-making authority for the Township that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The Township Board has by resolution authorized the Township Treasurer or Clerk to assign fund balance. The Township Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied and liened on December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollected real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2022 state taxable value for real/personal property of the Township totaled approximately \$331,127,000. The ad valorem taxes levied consisted of .8742 mills for the Township's operating purposes. This amount is recognized in the General Fund.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

NOTE C—DEPOSITS AND INVESTMENTS

Deposit and Investment Risks

Interest Rate Risk

The Township investments policy limits investment maturities to three years. This policy is used as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
 March 31, 2023

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks—Continued

Concentration of Credit Risk

The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2023, \$844,005 of the Township's bank balance of \$3,361,500 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk—Investments

The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign Currency Risk

The Township is not authorized to invest in investments which have this type of risk.

NOTE D—LEASE RECEIVABLE

The Township leases the right to use space on a parcel owned by the Township to a third party for cell phone antennas. The lease term is 5 years and the Township receives an annual payment totaling \$8,270, increasing 2 percent each year. The lease has an automatic renewal for 4 additional 5-year terms. The Township recognized \$4,395 in lease revenue and \$3,875 in interest revenue during the year ended March 31, 2023. The Township has deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of March 31, 2023, the balance of the deferred inflow of resources was \$140,654.

The future minimum payments to be received for these leases are as follows:

Year Ending	Principal	Interest
March 31,		
2024	\$ 4,668	\$ 3,768
2025	4,968	3,637
2026	5,279	3,498
2027	5,602	3,351
2028	5,937	3,194
2029-2033	35,185	13,285
2034-2038	45,697	7,818
2039-2041	33,318	1,428
	\$ 140,654	\$ 39,979

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
 March 31, 2023

NOTE E—CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2023 was as follows:

	Balance April 1, 2022	Additions	Deductions	Balance March 31, 2023
Capital assets, not being depreciated:				
Land	\$ 400,913	\$ -	\$ -	\$ 400,913
Capital assets, being depreciated:				
Buildings and improvements	699,396	73,150	1,400	771,146
Equipment and vehicles	338,259	26,800	4,845	360,214
Total capital assets, being depreciated	1,037,655	99,950	6,245	1,131,360
Less accumulated depreciation:				
Buildings and improvements	329,837	22,366	875	351,328
Equipment and vehicles	240,066	14,349	4,522	249,893
Total accumulated depreciation	569,903	36,715	5,397	601,221
Total capital assets, being depreciated, net	467,752	63,235	848	530,139
Capital assets, net	\$ 868,665	\$ 63,235	\$ 848	\$ 931,052

Depreciation

Depreciation expense has been charged to functions as follows:

General government	\$ 20,469
Public safety	99
Public works	3,698
Culture and recreation	12,449
	\$ 36,715

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2023

NOTE F—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The County of Muskegon issued a \$4,940,000 Water Supply System Refunding Bond in 2019 to refund bonds which had been issued to fund improvements to the Northside Water System which includes part of the Township. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on March 31, 2023 was \$796,250, or 25 percent of the bonds. The Township is unaware of any circumstances that would cause a shortfall in the near future.

The County of Muskegon issued a \$6,550,000 Water Supply System Refunding Bond in 2015 to refund bonds which had been issued to fund improvements to the Northside Water System which includes part of the Township. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on March 31, 2023 was \$1,161,600, or 24 percent of the bonds. The Township is unaware of any circumstances that would cause a shortfall in the near future.

Commitments

The Township has various contract agreements for street projects as of March 31, 2023 of approximately \$84,900.

Jointly Governed Entity

White Lake Fire Authority

The Township, in conjunction with two other governmental entities, created the White Lake Fire Authority. The Authority was formed to jointly provide fire protection and rescue services within the combined service area, which encompasses the participating municipalities. The administrative board of the Authority is comprised of one representative from each participating municipality. No participant has any obligation, entitlement, or residual interest. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained from the Authority (115 S. Baldwin, Whitehall, MI 49461).

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2023

NOTE G—PENSION PLAN

Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all board members and full-time employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

Under the Plan, the Township contributes 15 percent of qualified employees' annual compensation. For the year ended March 31, 2023, the Township's contribution expense was \$32,481.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

NOTE H—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 36 percent of General Fund revenues.

NOTE I—CHANGE IN ACCOUNTING PRINCIPLE

For the year ended March 31, 2023, the Township implemented the following new pronouncement: GASB Statement No. 87—*Leases*.

Governmental Accounting Standards Board (GASB) Statement No. 87—*Leases*, was issued by the GASB in June 2017. 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.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
 March 31, 2023

NOTE I—CHANGE IN ACCOUNTING PRINCIPLE—Continued

The restatement of beginning of the year as no impact on net position or fund balance. The change in receivables and deferred inflows are as follows:

	Balance Sheet - General Fund	
	Lease Receivable	Deferred Inflows
Balances at April 1, 2022	\$ -	\$ -
Adoption of GASB Statement 87	145,049	145,049
Balances at April 1, 2022, as restated	\$ 145,049	\$ 145,049
	Statement of Net Position - Governmental Activities	
	Lease Receivable	Deferred Inflows
Balances at April 1, 2022	\$ -	\$ -
Adoption of GASB Statement 87	145,049	145,049
Balances at April 1, 2022, as restated	\$ 145,049	\$ 145,049

NOTE J—UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement 96—*Subscription-Based Information Technology Arrangements* was issued by the GASB in May 2020 and will be effective for the Township’s 2024 fiscal year. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

REQUIRED SUPPLEMENTARY INFORMATION

Fruitland Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 387,463	\$ 419,077	\$ 429,411	\$ 10,334
Licenses and permits	154,000	179,990	179,977	(13)
Intergovernmental revenues				
Federal	301,503	301,503	300,000	(1,503)
State	526,056	768,704	670,784	(97,920)
Local	25,085	25,085	25,085	-
Charges for services	109,425	112,583	87,983	(24,600)
Fines and forfeitures	300	300	107	(193)
Investment earnings	3,050	4,870	18,213	13,343
Other	3,850	97,746	109,171	11,425
Total revenues	<u>1,510,732</u>	<u>1,909,858</u>	<u>1,820,731</u>	<u>(89,127)</u>
EXPENDITURES				
Current				
General government				
Legislative	221,933	84,241	72,070	12,171
Supervisor	50,991	51,299	51,024	275
Election	19,571	26,590	24,801	1,789
Assessor	44,688	44,966	44,833	133
Clerk	53,880	53,934	51,836	2,098
Board of review	2,130	2,246	1,454	792
Treasurer	59,679	60,269	60,041	228
Hall and grounds	99,400	101,852	74,217	27,635
Community building	10,674	10,674	14,671	(3,997)
Township property	30,559	30,559	19,112	11,447
Professional services	57,225	60,110	64,213	(4,103)
Other	25,000	25,000	17,431	7,569
Public safety				
Law enforcement	91,084	91,084	83,751	7,333
Building inspections	137,600	154,800	155,019	(219)
Public works				
Road construction and maintenance	222,883	269,002	180,175	88,827
Drains	750	750	750	-
Street lighting	20,925	20,925	19,243	1,682
Lake maintenance	1,000	1,000	-	1,000
Sanitation	91,667	91,803	69,163	22,640
Cemetery	30,669	33,669	31,836	1,833
Health and welfare				
Senior services	65,000	65,300	52,971	12,329
Community and economic development				
Planning commission	30,117	30,134	22,499	7,635
Zoning board of appeals	9,082	9,130	7,840	1,290
Broadband	-	25,000	10,000	15,000
Culture and recreation				
Museum	27,775	27,963	15,230	12,733
Parks	57,663	128,708	51,710	76,998
Capital outlay	114,500	137,339	99,950	37,389
Total expenditures	<u>1,576,445</u>	<u>1,638,347</u>	<u>1,295,840</u>	<u>342,507</u>
Net change in fund balance	<u>\$ (65,713)</u>	<u>\$ 271,511</u>	524,891	<u>\$ 253,380</u>
Fund balance at beginning of year			<u>2,609,193</u>	
Fund balance at end of year			<u>\$ 3,134,084</u>	