

Fruitland Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

March 31, 2021



**Fruitland Township
White River Light Station Museum**

Fruitland Township

TABLE OF CONTENTS

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis..... 3

Basic Financial Statements

 Government-wide Financial Statements

 Statement of Net Position..... 9

 Statement of Activities 10

 Fund Financial Statements

 Governmental Funds

 Balance Sheet..... 11

 Reconciliation of the Governmental Funds

 Balance Sheet to the Statement of Net Position..... 12

 Statement of Revenues, Expenditures and Changes

 in Fund Balances..... 13

 Reconciliation of the Governmental Funds Statement of

 Revenues, Expenditures and Changes in Fund Balances

 to the Statement of Activities..... 14

 Fiduciary Funds

 Statement of Net Position..... 15

 Statement of Changes in Net Position..... 16

Notes to Financial Statements 17

Required Supplementary Information

 Budgetary Comparison Schedule—General Fund..... 26

INDEPENDENT AUDITOR'S REPORT

Township Board
Fruitland Township
Whitehall, Michigan

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, 2021, and the related notes to financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Township Board
Fruitland Township
Page 2

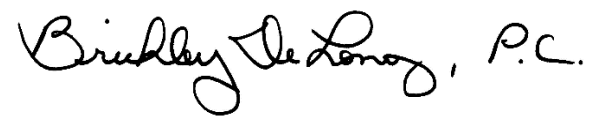
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Fruitland Township, 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 schedules on pages 3 through 8 and 26 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.



Muskegon, Michigan
August 6, 2021

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, 2021. 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 \$76,611.

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, 2021, the Township's net position from governmental activities totaled \$3,265,162.

Current assets increased as the Township had a surplus. Capital assets increased due to playground improvements, parking lot improvements, and a new pickup truck.

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 \$2,215,354. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Position

	Governmental Activities	
	2021	2020
Current assets	\$ 2,398,525	\$ 2,299,945
Capital assets	899,666	818,425
Total assets	3,298,191	3,118,370
Current liabilities	33,029	11,060
Net position		
Net investment in capital assets	899,666	818,425
Restricted	150,142	131,329
Unrestricted	2,215,354	2,157,556
Total net position	\$ 3,265,162	\$ 3,107,310

Governmental Activities

Net position of the Township’s governmental activities increased by \$157,852 (5.1%) during the 2021 fiscal year. The following table shows these results.

Charges for services decreased due to less building permit activity. Operating grants and contributions and health and welfare expenses increased as the County is distributing senior services funding to local units. Miscellaneous revenues increased due to the sale of noncapital assets. Public works expenses fluctuate depending on the amount of road improvements performed during a year with more being performed in the current year than in the prior year. The following table depicts these occurrences.

Change in Net Position

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues		
Charges for services	\$ 246,516	\$ 274,770
Operating grants and contributions	28,831	12,196
Capital grants and contributions	5,000	3,842
General revenues		
Property taxes	404,086	385,126
Franchise fees	43,681	42,499
Grants and contributions not restricted	494,020	496,708
Unrestricted investments earnings	7,160	15,551
Miscellaneous	63,726	6,506
Total revenues	1,293,020	1,237,198
Expenses:		
General government	439,980	452,153
Public safety	212,820	191,034
Public works	384,297	246,880
Health and welfare	18,860	-
Community and economic development	26,788	25,985
Culture and recreation	52,423	51,145
Total expenses	1,135,168	967,197
Change in net position	157,852	270,001
Net position - Beginning	3,107,310	2,837,309
Net position - Ending	\$ 3,265,162	\$ 3,107,310

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 \$2,365,496, an increase of \$76,611. The health of the General Fund may be measured by the ratio of unassigned fund balance to annual expenditures. Unassigned fund balance represents 114% of the General Fund's expenditures (137% in the prior year).

At the end of the 2021 fiscal year, the Township's General Fund reported unassigned fund balance of \$1,393,399. The remainder of the fund balance is nonspendable for prepaid items or restricted for right-of-way improvements of \$57,204, public works utilities of \$81,138, White River Light Station preservation and maintenance of \$10,000, and Township hall improvements of \$1,800. In addition, the Township Board has committed \$744,877 for road construction and maintenance and \$74,649 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 \$22,306 due to higher than expected property taxes and administration fees.
- The local intergovernmental revenues budget was increased by \$19,488 and the senior services expenditures budget was increased by \$18,860 due to new senior services funding from the County.
- The charges for services revenues budget was increased by \$25,565 due to additional activity at the ecology station and additional cemetery activity.
- The other revenues budget was increased by \$71,483 due to the sale of noncapital assets.
- The road construction and maintenance expenditures budget was increased by \$68,096 due to higher than expected costs on road improvement projects.
- The capital outlay expenditures budget was increased by \$34,265 due to the purchase of a plow truck.

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

- Other revenues were under budget as there were no significant or unusual donations this year.
- Professional services expenditures were under budget by \$29,090 due to less than anticipated legal costs.

Capital Assets

The Township's investment in capital assets for its governmental activities as of March 31, 2021 totaled \$899,666 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment and vehicles.

During the fiscal year, the Township made playground improvements and driveway improvements and purchased a pickup truck and a mower.

Capital Assets

	Governmental Activities	
	2021	2020
Land	\$ 400,913	\$ 400,913
Buildings and improvements	386,304	382,241
Equipment and vehicles	112,449	35,271
Total	\$ 899,666	\$ 818,425

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 70 percent of the General Fund's revenue sources. In fiscal year 2022, the Township is conservatively budgeting a small increase in revenue sharing and no increase in property tax revenues. The Township is also anticipating funding through the American Rescue Plan Act. No other significant changes are expected for other revenues in fiscal year 2022.

The Township expects General Fund expenditures for operations in fiscal year 2022 to remain consistent with fiscal year 2021 with some minor increases in technology costs. The Township is in the midst of a multi-year road improvement project with the Road Commission. For fiscal year 2022, improvements to portions of McMillan and Green Creek Roads are budgeted. The Township's share of these projects is approximately \$192,500. The Township has also budgeted approximately \$20,000 for entryway improvements to the Ecology Station and approximately \$15,000 for tree removal and parking lot maintenance at the township hall. No other significant capital improvements are planned at this time.

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, 2021

	Governmental Activities
ASSETS	
Current assets	
Cash and investments	\$ 2,299,495
Receivables	
Accounts	701
Property taxes	11,184
Due from other governmental units	84,716
Prepaid items	2,429
Total current assets	2,398,525
Noncurrent assets	
Capital assets, net	
Nondepreciable	400,913
Depreciable	498,753
Total noncurrent assets	899,666
Total assets	3,298,191
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	33,029
NET POSITION	
Net investment in capital assets	899,666
Restricted	
Right-of-way	57,204
Public works - utilities	81,138
White River Light Station preservation and maintenance	10,000
Township Hall capital improvements	1,800
Unrestricted	2,215,354
Total net position	\$ 3,265,162

The accompanying notes are an integral part of this statement.

Fruitland Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2021

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
General government	\$ 439,980	\$ 23,660	\$ -	\$ (416,320)
Public safety	212,820	116,249	2,736	(93,835)
Public works	384,297	93,017	6,607	(284,673)
Health and welfare	18,860	-	19,488	628
Community and economic development	26,788	8,175	-	(18,613)
Culture and recreation	52,423	5,415	-	(42,008)
Total governmental activities	\$ 1,135,168	\$ 246,516	\$ 28,831	\$ 5,000
General revenues				
Property taxes, levied for general purposes				404,086
Franchise fees				43,681
Grants and contributions not restricted to specific programs				494,020
Unrestricted investment earnings				7,160
Miscellaneous				63,726
Total general revenues				<u>1,012,673</u>
Change in net position				157,852
Net position at beginning of year				<u>3,107,310</u>
Net position at end of year				<u>\$ 3,265,162</u>

The accompanying notes are an integral part of this statement.

Fruitland Township
BALANCE SHEET
 Governmental Funds
 March 31, 2021

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 2,299,495
Receivables	
Accounts	701
Property taxes	11,184
Due from other governmental units	84,716
Prepaid items	2,429
Total assets	<u><u>\$ 2,398,525</u></u>
LIABILITIES	
Accounts payable	\$ 33,029
FUND BALANCES	
Nonspendable - prepaid items	2,429
Restricted	
Right-of-way	57,204
Public works - utilities	81,138
White River Light Station preservation and maintenance	10,000
Township Hall capital improvements	1,800
Committed	
Road construction and maintenance	744,877
Equipment replacement	74,649
Unassigned	1,393,399
Total fund balances	<u><u>2,365,496</u></u>
Total liabilities and fund balances	<u><u>\$ 2,398,525</u></u>

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, 2021

Total fund balances—governmental funds \$ 2,365,496

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	\$ 1,434,323	
Accumulated depreciation	<u>(534,657)</u>	<u>899,666</u>
Net position of governmental activities		<u>\$ 3,265,162</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, 2021

	General Fund
REVENUES	
Property taxes	\$ 404,086
Licenses and permits	164,930
Intergovernmental revenues	
State	505,887
Local	19,488
Charges for services	124,452
Fines and forfeitures	99
Investment earnings	7,160
Other	66,918
	1,293,020
Total revenues	1,293,020
 EXPENDITURES	
Current	
General government	403,870
Public safety	212,721
Public works	381,308
Health and welfare	18,860
Community and economic development	26,787
Culture and recreation	33,875
Other governmental functions	16,038
Capital outlay	122,950
	1,216,409
Total expenditures	1,216,409
Net change in fund balance	76,611
Fund balance at beginning of year	2,288,885
Fund balance at end of year	\$ 2,365,496

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, 2021

Net change in fund balance—total governmental funds \$ 76,611

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	\$ (32,301)	
Capital outlay	<u>122,950</u>	90,649

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.

(9,408)

Change in net position of governmental activities

\$ 157,852

The accompanying notes are an integral part of this statement.

Fruitland Township
STATEMENT OF NET POSITION
 Fiduciary Funds
 March 31, 2021

	Custodial Funds		
	Escrow	Current Tax	Total
ASSETS			
Cash and investments	\$ 1,557	\$ 1,632	\$ 3,189
LIABILITIES			
Deposits held for others	1,557	-	1,557
Accounts payable	-	690	690
Due to other governmental units	-	942	942
Total liabilities	1,557	1,632	3,189
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, 2021

	Custodial Funds		
	Escrow	Current Tax	Total
ADDITIONS			
Property tax collections for other governments	\$ -	\$ 11,151,692	\$ 11,151,692
Escrow deposits received	5,000	-	5,000
Total additions	5,000	11,151,692	11,156,692
DEDUCTIONS			
Payments of property taxes to other governments	-	11,151,692	11,151,692
Escrow deposits returned	5,000	-	5,000
Total deductions	5,000	11,151,692	11,156,692
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, 2021

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, 2021

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, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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 fair market 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

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 position 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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.

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).

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Property Taxes—Continued

The 2020 state taxable value for real/personal property of the Township totaled approximately \$303,870,000. The ad valorem taxes levied consisted of .8865 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.

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, 2021, \$300,615 of the Township's bank balance of \$2,297,306 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
 March 31, 2021

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks—Continued

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—CAPITAL ASSETS

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

	Balance April 1, 2020	Additions	Deductions	Balance March 31, 2021
Capital assets, not being depreciated:				
Land	\$ 400,913	\$ -	\$ -	\$ 400,913
Capital assets, being depreciated:				
Buildings and improvements	672,656	22,495	-	695,151
Equipment and vehicles	286,353	100,455	48,549	338,259
Total capital assets, being depreciated	959,009	122,950	48,549	1,033,410
Less accumulated depreciation:				
Buildings and improvements	290,415	18,432	-	308,847
Equipment and vehicles	251,082	13,869	39,141	225,810
Total accumulated depreciation	541,497	32,301	39,141	534,657
Total capital assets, being depreciated, net	417,512	90,649	9,408	498,753
Capital assets, net	\$ 818,425	\$ 90,649	\$ 9,408	\$ 899,666

Depreciation

Depreciation expense has been charged to functions as follows:

General government	\$ 20,071
Public safety	99
Public works	2,990
Culture and recreation	9,141
	\$ 32,301

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2021

NOTE E—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, 2021 was \$1,023,750, 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, 2021 was \$1,286,400, or 24 percent of the bonds. The Township is unaware of any circumstances that would cause a shortfall in the near future.

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, 2021

NOTE F—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, 2021, the Township's contribution expense was \$31,431.

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 G—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 38 percent of General Fund revenues.

NOTE H—UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement 87—*Leases* was issued by the GASB in June 2017 and will be effective for the Township's 2023 fiscal year. The objective of this Statement is to better meet the information needs of financial statements users by improving accounting and financial reporting for leases by governments. This Statement increases 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 an 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.

NOTE I—RISKS AND UNCERTAINTIES

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully understand the impact that it will have on the economy and on the Township's operations. As of March 31, 2021, the Township is continuing implementation of risk mitigation tactics including all aspects of the Township's business transactions with customers, vendors and human interaction within and outside of the Township.

REQUIRED SUPPLEMENTARY INFORMATION

Fruitland Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 381,780	\$ 404,086	\$ 404,086	\$ -
Licenses and permits	148,500	161,428	164,930	3,502
Intergovernmental revenues				
State	490,000	498,043	505,887	7,844
Local	-	19,488	19,488	-
Charges for services	98,800	124,365	124,452	87
Fines and forfeitures	200	200	99	(101)
Investment earnings	4,350	6,459	7,160	701
Other	8,818	80,301	66,918	(13,383)
Total revenues	1,132,448	1,294,370	1,293,020	(1,350)
EXPENDITURES				
Current				
General government				
Legislative	53,333	56,062	53,045	3,017
Supervisor	50,375	50,375	49,758	617
Election	15,722	17,804	15,278	2,526
Assessor	44,230	44,332	43,986	346
Clerk	51,909	52,174	51,913	261
Board of review	1,835	2,435	1,731	704
Treasurer	58,334	58,586	58,270	316
Hall and grounds	49,510	50,231	47,014	3,217
Community building	9,264	9,264	5,059	4,205
Township property	30,364	34,269	30,705	3,564
Cemetery	23,563	24,592	18,671	5,921
Professional services	57,150	57,530	28,440	29,090
Public safety				
Law enforcement	87,136	90,372	90,329	43
Building inspections	127,766	130,406	122,392	8,014
Public works				
Road construction and maintenance	228,000	296,096	294,049	2,047
Drains	450	750	750	-
Street lighting	19,300	19,355	19,154	201
Lake maintenance	1,000	1,000	-	1,000
Sanitation	71,064	71,424	67,355	4,069
Health and welfare				
Senior services	-	18,860	18,860	-
Community and economic development				
Planning commission	25,233	25,341	20,540	4,801
Zoning board of appeals	7,539	7,889	6,247	1,642
Culture and recreation				
Museum	21,667	22,861	14,708	8,153
Parks	32,334	28,494	19,167	9,327
Other governmental functions	25,000	25,000	16,038	8,962
Capital outlay	89,200	123,465	122,950	515
Total expenditures	1,181,278	1,318,967	1,216,409	102,558
Net change in fund balance	\$ (48,830)	\$ (24,597)	76,611	\$ 101,208
Fund balance at beginning of year			2,288,885	
Fund balance at end of year			\$ 2,365,496	