

*Township of Dorr*  
*Allegan County, Michigan*

**FINANCIAL STATEMENTS**

*Year ended March 31, 2021*

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## INDEPENDENT AUDITOR'S REPORT

Township Board  
Township of Dorr, Michigan

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

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

## **Other Matters**

### *Required supplementary information*

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

### *Supplementary information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Dorr, Michigan's basic financial statements. The combining nonmajor governmental funds, the agency funds, and the component unit fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental funds, the agency funds, and the component unit fund financial statements (supplementary information) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2021, on our consideration of the Township of Dorr, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Dorr's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Siegfried Crandall P.C.". The signature is written in a cursive, flowing style.

September 16, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### **FINANCIAL HIGHLIGHTS**

- The Township's total net position increased by \$70,749 as a result of this year's activities.
- Of the \$5,608,019 total net position reported, \$1,944,231 is available to be used to meet the Township's ongoing obligations to its citizens, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance is \$1,407,710, representing 133 percent of the actual General Fund expenditures for the current fiscal year.

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

The Township's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements and statements concerning the component unit. The basic financial statements include two kinds of statements that present different views of the Township:

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

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

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

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

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

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

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

The government-wide financial statements are divided into two categories:

- *Governmental activities* - All of the Township's basic services are included here, such as general government, public safety, public works, and debt service. Property taxes and state grants finance most of these activities.
- *Component unit* - The Township includes one other entity in its report - the Dorr Downtown Development Authority. Although legally separate, this "component unit" is important because the Township is financially accountable for it.

#### **Fund financial statements**

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

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

The Township has two types of funds:

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

## FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

## Net position

Total net position at the end of the fiscal year was \$5,608,019. Of this total, \$2,088,451 represents a net investment in capital assets and \$1,575,337 is restricted for various purposes. The remaining net position, in the amount of \$1,944,231, is unrestricted.

*Condensed financial information*  
*Net position*

	<i>Governmental activities</i>	
	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 3,704,485	\$ 3,482,148
Capital assets	<u>3,309,451</u>	<u>3,517,428</u>
Total assets	<u>7,013,936</u>	<u>6,999,576</u>
Current and other liabilities	103,583	119,953
Long-term debt	<u>1,302,334</u>	<u>1,342,353</u>
Total liabilities	<u>1,405,917</u>	<u>1,462,306</u>
Net position:		
Net investment in capital assets	2,088,451	2,275,428
Restricted	1,575,337	1,482,708
Unrestricted	<u>1,944,231</u>	<u>1,779,134</u>
Total net position	<u>\$ 5,608,019</u>	<u>\$ 5,537,270</u>

## Changes in net position

The Township's total revenues were \$2,477,117. Property taxes and state grants provided about 53 percent and 27 percent, respectively, of the Township's revenues, while charges for services represented 14 percent.

The total cost of the Township's programs totaled \$2,406,368. About 25 percent of the Township's costs related to the provision of general government services. Public safety expenses accounted for 17 percent, public works expenses accounted for 44 percent, and recreation and culture expenses were 11 percent of the total.



*Condensed financial information  
Changes in net position*

	<i>Governmental activities</i>	
	<u>2021</u>	<u>2020</u>
Program revenues:		
Charges for services	\$ 340,590	\$ 388,811
Operating grants and contributions	59,972	57,368
Capital grants and contributions	16,217	32,772
General revenues:		
Property taxes	1,318,838	1,186,836
State grants	663,001	666,609
Franchise fees	45,735	46,834
Shared casino revenue	26,746	38,133
Interest income	6,018	14,734
Total revenues	<u>2,477,117</u>	<u>2,432,097</u>
Expenses:		
General government	602,453	544,300
Public safety	408,646	415,009
Public works	1,050,421	966,091
Health and welfare	26,950	16,375
Community and economic development	10,248	9,292
Recreation and culture	254,539	296,491
Interest	53,111	57,107
Total expenses	<u>2,406,368</u>	<u>2,304,665</u>
Changes in net position	<u>\$ 70,749</u>	<u>\$ 127,432</u>
Net position, end of year	<u>\$ 5,608,019</u>	<u>\$ 5,537,270</u>

**Governmental activities**

The Township's net position increased by \$70,749 in the current year, compared to a \$127,432 increase last year. The increase in net position was lower in the current year as the increase in revenues (\$45,020) was outpaced by the increase in expenses (\$101,703). The increase in revenues was primarily due to a \$132,002 increase in property tax revenues, due to an increased millage rate for library operations. The increase in property taxes was offset by reductions in charges for services and capital grants of \$48,221 and \$14,295, respectively. The increase in expenses was related to an \$84,330 increase in public works costs, associated with higher road maintenance costs in the current year, and an \$58,153 increase in general government costs, due to increased personnel costs. These increases were offset by a reduction in recreation and culture costs of \$41,952, due to reduced operating costs.

The total cost of governmental activities this year was \$2,406,368 compared to \$2,304,665 in the prior year. After subtracting the direct charges to those who directly benefited from the programs (\$340,590) and operating and capital grants (\$76,189), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$1,989,589 in the current year.

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

The Township's governmental funds reported combined ending fund balances of \$3,378,690, an increase of \$280,309 compared to the prior year.

The General Fund is the primary operating fund of the Township. The ending fund balance was \$1,453,088, an increase of \$70,515 from the prior year. Fund balance increased, as revenues of \$1,188,537 were sufficient to cover expenditures of \$1,060,022 and transfers to other funds of \$58,000.

The Road Fund, a special revenue fund, has been established to accumulate resources for road maintenance. The ending fund balance was \$833,164, a decrease of \$32,637, as expenditures of \$846,976 exceeded the fund's revenues of \$814,339 in the current year.

The Library Fund, a special revenue fund, has been established to accumulate resources for library services. The ending fund balance was \$395,884, an increase of \$101,029, as the fund's revenues of \$218,442 and transfers from other funds of \$50,000 exceeded expenditures of \$167,413 in the current year.

The Fire Equipment Fund, a capital project fund, has been established to accumulate resources for fire equipment acquisitions. The ending fund balance was \$426,324, an increase of \$121,674, as the fund's revenues of \$137,472 exceeded expenditures of \$15,798 in the current year.

The Sewer #4 Debt Fund, a debt service fund, accounts for special assessments used to repay long-term debt for sewer improvements and does not have a fund balance, as all assessment principal and interest revenues, totaling \$23,470, were expended to reduce the Township's long-term debt.

The Sewer #5 Debt Fund, another debt service fund, accounts for assessments used to repay debt for certain sewer improvements. The fund collected \$71,077 in assessment principal and interest. After subtracting debt service expenditures totaling \$70,260, the resulting fund balance increase for the fiscal year was \$817. The Fund's restricted fund balance totaled \$137,341 at the end of the fiscal year.

**General Fund budgetary highlights**

The Township made no amendments to the General Fund budget during fiscal year 2021. Actual revenues were \$148,513 less than budgeted, while total expenditures were \$278,498 less than the amounts appropriated and transfers out were \$8,000 more than anticipated. These variances resulted in a \$121,985 positive budget variance, with a \$70,515 increase in fund balance, compared to a budget that anticipated a \$51,470 decrease in fund balance.

Actual revenues were \$148,513 less than budgeted, primarily because intergovernmental revenues were \$93,800 less than budgeted, as the recycling program was discontinued. A negative variance of \$56,208 was also shown in licenses and permits, as code inspection activity was less than expected.

Positive expenditure variances primarily resulted from lower than anticipated costs across most of the Township's activities. The largest negative variance related to amounts expended for drains, as the Township's budget did not reflect costs related to the current drains at large charged to the Township.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital assets**

The Township's net investment in capital assets for its governmental activities at March 31, 2021, amounts to \$3,309,451, net of accumulated depreciation. This investment includes land, buildings, equipment, and sewer infrastructure. The net decrease in the Township's capital assets for the current fiscal year was \$207,977, as depreciation expense of \$276,543 exceeded asset acquisitions of \$68,566.

Major capital asset additions during the year included:

- Public safety equipment was acquired for \$27,252
- Library circulation material was purchased at a cost of \$13,306
- Park improvements were made at a cost of \$12,290
- A mower was purchased for \$9,698

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

### **Debt**

At the end of the fiscal year, the Township had \$1,302,334 in long-term debt outstanding, which is secured by specific revenue sources, including special assessments carried in the Township's two debt service funds, and contributions by the component unit (Downtown Development Authority). Debt was reduced by principal payments, in the amount of \$40,019, during the year. No new debt was issued.

More detailed information about the Township's long-term debt is presented in Note 7 of the notes to the basic financial statements.

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

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

## **CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

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

Jeff Miling, Township Supervisor  
Township of Dorr  
4196 18<sup>th</sup> Street  
Dorr, MI 49323

Phone: (616) 681-9874

## **BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION**

March 31, 2021

	<b><u>Primary government</u></b>	<b><u>Component unit</u></b>
	<b><u>Governmental activities</u></b>	<b><u>Downtown Development Authority</u></b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 3,229,410	\$ 266,783
Receivables	246,149	-
Prepaid expenses	30,028	-
Total current assets	<u>3,505,587</u>	<u>266,783</u>
Noncurrent assets:		
Receivables	198,898	-
Capital assets not being depreciated - land	592,389	139,047
Capital assets, net of accumulated depreciation	<u>2,717,062</u>	<u>3,318</u>
Total noncurrent assets	<u>3,508,349</u>	<u>142,365</u>
Total assets	<u>7,013,936</u>	<u>409,148</u>
<b>LIABILITIES</b>		
Current liabilities:		
Payables	103,583	2,801
Current portion of bonds and contract payable	<u>61,482</u>	<u>-</u>
Total current liabilities	165,065	2,801
Noncurrent liabilities - bonds and contract payable	<u>1,240,852</u>	<u>-</u>
Total liabilities	<u>1,405,917</u>	<u>2,801</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,088,451	142,365
Restricted for:		
Public safety	15,350	-
Public works	872,494	-
Capital acquisitions	426,324	-
Debt service	261,169	-
Unrestricted	<u>1,944,231</u>	<u>263,982</u>
Total net position	<u>\$ 5,608,019</u>	<u>\$ 406,347</u>

See notes to financial statements

**STATEMENT OF ACTIVITIES**

Year ended March 31, 2021

				<i>Net (expenses) revenues and changes in net position</i>	
				<i>Primary government</i>	<i>Component unit</i>
				<i>Governmental activities</i>	<i>Downtown Development Authority</i>
<i>Expenses</i>	<i>Program revenues</i>				
	<i>Charges for services</i>	<i>Operating grants and contributions</i>	<i>Capital grants and contributions</i>		
<b>Functions/Programs</b>					
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 602,453	\$ 131,114	\$ 1,796	\$ -	\$ (469,543)
Public safety	408,646	77,928	3,211	-	(327,507)
Public works	1,050,421	67,639	7,914	-	(974,868)
Health and welfare	26,950	-	-	-	(26,950)
Community and economic development	10,248	8,850	-	-	(1,398)
Recreation and culture	254,539	45,745	8,411	217	(200,166)
Interest on long-term debt	53,111	9,314	38,640	16,000	10,843
	<u>\$ 2,406,368</u>	<u>\$ 340,590</u>	<u>\$ 59,972</u>	<u>\$ 16,217</u>	<u>(1,989,589)</u>
<b>Total primary government</b>	<u>\$ 2,406,368</u>	<u>\$ 340,590</u>	<u>\$ 59,972</u>	<u>\$ 16,217</u>	<u>(1,989,589)</u>
<b>Component unit - Downtown Development Authority</b>	<u>\$ 64,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (64,914)</u>
General revenues:					
Property taxes				1,318,838	57,646
State shared revenue				663,001	-
Franchise fees				45,735	-
Shared casino revenue				26,746	-
Unrestricted interest income				6,018	725
Total general revenues				<u>2,060,338</u>	<u>58,371</u>
Changes in net position				70,749	(6,543)
Net position - beginning				<u>5,537,270</u>	<u>412,890</u>
Net position - ending				<u>\$ 5,608,019</u>	<u>\$ 406,347</u>

See notes to financial statements

**Township of Dorr**

**BALANCE SHEET - governmental funds**

March 31, 2021

		<u>Special revenue funds</u>	
	<u>General</u>	<u>Roads</u>	<u>Library</u>
<b>ASSETS</b>			
Cash	\$ 1,347,526	\$ 801,031	\$ 389,439
Receivables	162,301	32,133	11,291
Prepaid expenditures	30,028	-	-
Total assets	<u>\$ 1,539,855</u>	<u>\$ 833,164</u>	<u>\$ 400,730</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities - payables	<u>\$ 69,717</u>	<u>\$ -</u>	<u>\$ 4,846</u>
Deferred inflows of resources:			
Unavailable special assessment revenue	-	-	-
Unavailable interest revenue	<u>17,050</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>17,050</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable - prepaids	30,028	-	-
Restricted for:			
Public safety	15,350	-	-
Public works	-	833,164	-
Capital acquisitions	-	-	-
Debt service	-	-	-
Assigned for:			
Recreation and culture	-	-	395,884
Capital acquisitions	-	-	-
Unassigned	<u>1,407,710</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,453,088</u>	<u>833,164</u>	<u>395,884</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,539,855</u>	<u>\$ 833,164</u>	<u>\$ 400,730</u>

<i>Debt service funds</i>		<i>Capital project fund</i>		
<i>Sewer #4 Debt</i>	<i>Sewer #5 Debt</i>	<i>Fire Equipment</i>	<i>Nonmajor funds</i>	<i>Total governmental funds</i>
\$ -	\$ 135,246	\$ 420,660	\$ 135,508	3,229,410
86,789	144,368	5,664	2,501	445,047
-	-	-	-	30,028
<u>\$ 86,789</u>	<u>\$ 279,614</u>	<u>\$ 426,324</u>	<u>\$ 138,009</u>	<u>\$ 3,704,485</u>
<u>\$ 11,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,120</u>	<u>\$ 91,283</u>
72,136	140,573	-	-	212,709
3,053	1,700	-	-	21,803
<u>75,189</u>	<u>142,273</u>	<u>-</u>	<u>-</u>	<u>234,512</u>
-	-	-	-	30,028
-	-	-	-	15,350
-	-	-	39,330	872,494
-	-	426,324	-	426,324
-	137,341	-	-	137,341
-	-	-	-	395,884
-	-	-	93,559	93,559
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,407,710</u>
<u>-</u>	<u>137,341</u>	<u>426,324</u>	<u>132,889</u>	<u>3,378,690</u>
<u>\$ 86,789</u>	<u>\$ 279,614</u>	<u>\$ 426,324</u>	<u>\$ 138,009</u>	<u>\$ 3,704,485</u>

See notes to financial statements



**BALANCE SHEET - governmental funds (Continued)**March 31, 2021

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

Total fund balance - total governmental funds (page 13)	\$ 3,378,690
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Amounts reported for *governmental activities* in the statement of net position (page 11) are different because:

Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	3,309,451
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Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	234,512
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Interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(21,500)
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Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(1,293,134)</u>
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Net position of <i>governmental activities</i>	<u>\$ 5,608,019</u>
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*Township of Dorr*

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

*Year ended March 31, 2021*

		<i>Special revenue funds</i>	
	<i>General</i>	<i>Roads</i>	<i>Library</i>
<b>REVENUES</b>			
Property taxes	\$ 302,257	\$ 813,307	\$ 165,686
Licenses and permits	122,392	-	-
State grants	675,922	-	8,411
Charges for services	41,297	-	-
Fines and forfeitures	-	-	34,490
Interest and rentals	35,581	1,032	-
Other	11,088	-	9,855
Total revenues	<u>1,188,537</u>	<u>814,339</u>	<u>218,442</u>
<b>EXPENDITURES</b>			
Current:			
General government	547,092	-	-
Public safety	292,876	-	-
Public works	70,961	846,976	-
Health and welfare	26,950	-	-
Community and economic development	10,248	-	-
Recreation and culture	55,259	-	167,413
Capital outlay	56,636	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>1,060,022</u>	<u>846,976</u>	<u>167,413</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>128,515</u>	<u>(32,637)</u>	<u>51,029</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	50,000
Transfers out	(58,000)	-	-
Net other financing sources (uses)	<u>(58,000)</u>	<u>-</u>	<u>50,000</u>
<b>NET CHANGES IN FUND BALANCES</b>	70,515	(32,637)	101,029
<b>FUND BALANCES - BEGINNING</b>	<u>1,382,573</u>	<u>865,801</u>	<u>294,855</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,453,088</u>	<u>\$ 833,164</u>	<u>\$ 395,884</u>

<i>Debt service funds</i>		<i>Capital project fund</i>		<i>Total governmental funds</i>
<i>Sewer #4 Debt</i>	<i>Sewer #5 Debt</i>	<i>Fire Equipment</i>	<i>Nonmajor funds</i>	
\$ -	\$ -	\$ 135,520	\$ -	\$ 1,416,770
-	-	-	-	122,392
-	-	-	-	684,333
-	-	-	-	41,297
-	-	-	-	34,490
4,451	5,711	681	176	47,632
19,019	65,366	1,271	67,856	174,455
<u>23,470</u>	<u>71,077</u>	<u>137,472</u>	<u>68,032</u>	<u>2,521,369</u>
-	-	-	-	547,092
-	-	718	-	293,594
-	-	-	57,121	975,058
-	-	-	-	26,950
-	-	-	-	10,248
-	-	-	-	222,672
-	-	15,080	-	71,716
19,019	21,000	-	-	40,019
4,451	49,260	-	-	53,711
<u>23,470</u>	<u>70,260</u>	<u>15,798</u>	<u>57,121</u>	<u>2,241,060</u>
-	817	121,674	10,911	280,309
-	-	-	8,000	58,000
-	-	-	-	(58,000)
-	-	-	8,000	-
-	817	121,674	18,911	280,309
-	136,524	304,650	113,978	3,098,381
<u>\$ -</u>	<u>\$ 137,341</u>	<u>\$ 426,324</u>	<u>\$ 132,889</u>	<u>\$ 3,378,690</u>

See notes to financial statements

***Township of Dorr***

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

*Year ended March 31, 2021*

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

Net change in fund balance - total governmental funds (page 15)	\$	280,309
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Amounts reported for *governmental activities* in the statement of  
activities (page 12) are different because:

Capital assets:

Additions	68,566
Depreciation	(276,543)

Long-term debt - principal payments	40,019
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Changes in deferred inflows of resources:

Net decrease in unavailable charges for services	(8,303)
Net decrease in unavailable special assessment revenue	(29,745)
Net decrease in unavailable casino revenue	(3,306)
Net decrease in unavailable interest revenue	(848)

Changes in other assets/liabilities:

Net decrease in accrued interest expense	<u>600</u>
--	------------

Change in net position of <i>governmental activities</i>	\$	<u><u>70,749</u></u>
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*See notes to financial statements*

**STATEMENT OF FIDUCIARY NET POSTION - Custodial Fund**

*March 31, 2021*

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	<u><i>Tax Collection</i></u>
<b>ASSETS</b>	
Cash	<u>\$ 4,997</u>
<b>LIABILITIES</b>	
Due to other governments	<u>4,997</u>
<b>NET POSITION</b>	
Restricted for individuals and other governments	<u>\$ -</u>

*See notes to financial statements*

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - *Custodial Fund***

*March 31, 2021*

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	<u><b><i>Tax Collection</i></b></u>
<b>ADDITIONS</b>	
Property taxes collections for other governments	\$ 8,415,635
<b>DEDUCTIONS</b>	
Payments of property taxes to other governments	<u>8,415,635</u>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	-
<b>NET POSITION - BEGINNING</b>	<u>-</u>
<b>NET POSTION - ENDING</b>	<u><u>\$ -</u></u>

*See notes to financial statements*

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

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

*Reporting entity:*

As required by generally accepted accounting principles, these financial statements present the Township (the primary government), located in Allegan County, and its component unit described below, for which the Township is financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

*Discretely presented component unit - Dorr Township Downtown Development Authority:*

The Dorr Township Downtown Development Authority (the Authority) meets the criteria of a component unit, as it is fiscally dependent on the Township because the Township Board appoints the Authority's governing body and approves its budget. The Township is also obligated to provide some of its tax revenues to the Authority, through tax increment financing, which represents a financial burden on the Township. Fiscal dependence and the financial burden relationship make the Township financially accountable for the Authority and require the Township to report the Authority in its financial statements. Separate financial statements for the Authority have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair 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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable, due within the current fiscal year, is considered to be susceptible to accrual as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

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

The Road Fund, a special revenue fund, accounts for the accumulation of financial resources to be used for road maintenance. Revenues are primarily derived from voter approved property taxes.

The Library Fund, a special revenue fund, accounts for the accumulation of financial resources to be used for Dorr Township Library. Revenues are primarily derived from voter approved property taxes.

The Sewer #4 Debt Fund, a debt service fund, accounts for financial resources used for the payment of long-term debt. Revenues are primarily derived from special assessments.

The Sewer #5 Debt Fund, a debt service fund, accounts for financial resources used for the payment of long-term debt. Revenues are derived from special assessments and contributions from the component unit.

The Fire Equipment Fund, a capital project fund, accounts for the accumulation of financial resources to be used for capital purchases for the Dorr Township fire department. Revenues are primarily derived from voter approved property taxes.

The Township also reports a custodial fund, the Tax Collection Fund, which accounts for assets held by the Township in a fiduciary capacity for other governments.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

*Assets, liabilities, deferred inflows of resources, and equity:*

*Cash* - Cash is considered to be cash on hand, demand deposits, and highly-liquid short-term investments with original maturities of three months or less from the date of acquisition.

*Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." No allowance for uncollectible accounts has been recorded, as the Township considers all receivables to be fully collectible.

*Prepays* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements and fund financial statements.



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

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

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

Buildings and improvements	20 - 50 years
Land improvements	20 - 50 years
Equipment	5 - 10 years
Vehicles	10 - 20 years
Infrastructure	40 years

*Deferred inflows of resources* - The governmental funds balance sheet includes a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. The Township has four items that are included in this category: special assessments, casino revenue, charges for services, and interest. These items, which are not recognized until available (collected not later than 60 days after the end of the Township's fiscal year), are deferred and recognized as inflows of resources in the period that the revenues become available.

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

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

*Fund equity* - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are not in spendable form. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Township Board of Trustees retains the right to assign fund balance. Unassigned fund balance is the residual classification for the General Fund. When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township's policy to use restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

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

*Assets, liabilities, deferred inflows of resources, and equity (continued):*

*Property tax revenue recognition* - Property taxes are levied each December 1 (lien date) on the taxable valuation of property as of the preceding December 31. Property taxes are considered delinquent on March 1 of the following year, at which time interest and penalties are assessed. It is the Township's policy to recognize revenue from the tax levy in the current year, when the proceeds are budgeted and made available for the financing of operations.

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

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

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

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

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Primary government:					
General	Public works	Road maintenance	\$ 25,000	\$ 29,577	\$ (4,577)
		Drains	22,900	34,445	(11,545)
	Recreation and culture	Parks	33,610	43,409	(9,799)
		Other financing uses	50,000	58,000	(8,000)

**NOTE 3 - CASH**

The Township's cash was reported in the basic financial statements as follows:

	<u>Governmental activities</u>	<u>Fiduciary activity</u>	<u>Component unit</u>	<u>Totals</u>
Deposits	\$ 3,229,110	\$ 4,997	\$ 266,783	\$ 3,500,890
Cash on hand	<u>300</u>	<u>-</u>	<u>-</u>	<u>300</u>
	<u>\$ 3,229,410</u>	<u>\$ 4,997</u>	<u>\$ 266,783</u>	<u>\$ 3,501,190</u>

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

**NOTE 3 - CASH (Continued)**

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township's investment policy does not specifically address custodial credit risk for deposits. At March 31, 2021, portions of the Township's bank balances were exposed to custodial credit risk because they were uninsured and uncollateralized as follows:

	<u>Bank balances</u>	<u>Uninsured</u>
Primary government	\$ 3,312,287	\$ 705,467
Component unit	266,783	16,784

**NOTE 4 - RECEIVABLES**

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

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assess- ments</u>	<u>Interest</u>	<u>Inter- govern- mental</u>	<u>Totals</u>
Primary government:						
Governmental:						
General	\$ 20,484	\$ 10,884	\$ -	\$ -	\$ 130,933	\$ 162,301
Roads	-	32,133	-	-	-	32,133
Library	-	6,546	-	-	4,745	11,291
Fire Equipment	310	5,354	-	-	-	5,664
Sewer #4 Debt	-	-	81,335	5,454	-	86,789
Sewer #5 Debt	-	-	142,668	1,700	-	144,368
Nonmajor	-	-	2,501	-	-	2,501
Total governmental	<u>\$ 20,794</u>	<u>\$ 54,917</u>	<u>\$ 226,504</u>	<u>\$ 7,154</u>	<u>\$ 135,678</u>	<u>\$ 445,047</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,898</u>

All receivables are due within one year and are considered fully collectible.

## NOTE 5 - CAPITAL ASSETS

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

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Primary government:				
Governmental activities:				
Capital assets not being depreciated - land	\$ 592,389	\$ -	\$ -	\$ 592,389
Capital assets being depreciated:				
Buildings	1,527,811	12,290	-	1,540,101
Land improvements	533,315	-	-	533,315
Equipment	835,495	42,970	-	878,465
Vehicles	1,674,980	-	-	1,674,980
Library circulation materials	159,421	13,306	(17,437)	155,290
Infrastructure	1,444,835	-	-	1,444,835
Subtotal	6,175,857	68,566	(17,437)	6,226,986
Less accumulated depreciation for:				
Buildings	(673,835)	(40,833)	-	(714,668)
Land improvements	(294,173)	(25,586)	-	(319,759)
Equipment	(610,799)	(45,012)	-	(655,811)
Vehicles	(851,800)	(78,672)	-	(930,472)
Library circulation materials	(97,792)	(14,198)	17,437	(94,553)
Infrastructure	(722,419)	(72,242)	-	(794,661)
Subtotal	(3,250,818)	(276,543)	17,437	(3,509,924)
Total capital assets being depreciated, net	2,925,039	(207,977)	-	2,717,062
Primary government, governmental activities capital assets, net	\$ 3,517,428	\$ (207,977)	\$ -	\$ 3,309,451
Component unit:				
Capital assets not being depreciated - land	\$ 131,047	\$ 8,000	\$ -	\$ 139,047
Capital assets being depreciated - land improvements	6,632	-	-	6,632
Less accumulated depreciation for - land improvements	(2,984)	(330)	-	(3,314)
Total capital assets being depreciated, net	3,648	(330)	-	3,318
Component unit capital assets, net	\$ 134,695	\$ 7,670	\$ -	\$ 142,365

**NOTE 5 - CAPITAL ASSETS (Continued)**

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

	<i>Governmental activities</i>	<i>Component unit</i>
General government	\$ 37,724	\$ -
Public safety	103,832	-
Public works	75,363	330
Recreation and culture	<u>59,624</u>	<u>-</u>
Totals	<u>\$ 276,543</u>	<u>\$ 330</u>

**NOTE 6 - PAYABLES**

Payables as of March 31, 2021, for the Township's individual major funds, nonmajor funds, in the aggregate, and component unit, were as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Intergovern- mental</i>	<i>Totals</i>
Primary government:			
Governmental:			
General	\$ 34,759	\$ 34,958	\$ 69,717
Library	4,846	-	4,846
Sewer #4 Debt	-	11,600	11,600
Nonmajor	<u>5,120</u>	<u>-</u>	<u>5,120</u>
Total governmental	<u>\$ 44,725</u>	<u>\$ 46,558</u>	<u>\$ 91,283</u>
Component unit:			
Downtown Development Authority	<u>\$ -</u>	<u>\$ 2,801</u>	<u>\$ 2,801</u>

**NOTE 7 - LONG-TERM DEBT**

At March 31, 2021, long-term debt was comprised of the following individual issues:

## Governmental activities:

## Bonds payable:

\$301,000 2010 USDA Special assessment bonds, due in annual installments of \$3,000 to \$56,000 through 2051, plus interest at 4%	\$ 263,000
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\$1,098,000 2010 USDA Local development bonds, due in annual installments of \$12,000 to \$200,000 through 2051, plus interest at 4%	<u>958,000</u>
--	----------------

Total bonds payable	1,221,000
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## Contract payable:

\$905,000 2005 Sewer assessment, due in annual installments of \$46,166 to \$35,191 through 2024, with interest at 5.2%	<u>81,334</u>
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Total governmental activities	<u>\$ 1,302,334</u>
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All debt is secured by the full faith and credit of the Township. Each of the individual issues is considered a direct borrowing.

Long-term debt activity for the year ended March 31, 2021, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Governmental activities:					
2010 Special assessment bonds	\$ 268,000	\$ -	\$ (5,000)	\$ 263,000	\$ 5,000
2010 Local development bonds	974,000	-	(16,000)	958,000	17,000
2005 Sewer assessment contract	<u>100,353</u>	<u>-</u>	<u>(19,019)</u>	<u>81,334</u>	<u>39,482</u>
Total governmental activities	<u>\$ 1,342,353</u>	<u>\$ -</u>	<u>\$ (40,019)</u>	<u>\$ 1,302,334</u>	<u>\$ 61,482</u>

**NOTE 7 - LONG-TERM DEBT (Continued)**

Debt service requirements at March 31, 2021, were as follows:

<i>Year ended</i> <u>March 31:</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 61,482	\$ 56,032
2023	43,926	49,685
2024	44,926	47,652
2025	24,000	45,600
2026	25,000	44,620
2027 - 2031	144,000	206,560
2032 - 2036	174,000	175,000
2037 - 2041	212,000	136,480
2042 - 2046	259,000	89,580
2047 - 2051	<u>314,000</u>	<u>32,400</u>
Totals	<u>\$ 1,302,334</u>	<u>\$ 883,609</u>

**NOTE 8 - PROPERTY TAX REVENUES**

The 2020 taxable valuation of the Township approximated \$283,409,000, on which ad valorem taxes levied consisted of 0.7322 mills for operating purposes, 2.9182 mills for roads, 0.4863 mills for fire equipment, and 0.5945 mills for library services, raising approximately \$208,000 for operating purposes, \$827,000 for roads, \$138,000 for fire equipment, and \$168,000 for library services. These amounts are recognized in the respective fund financial statements as property tax revenue.

**NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN**

The Township provides pension benefits for all of its employees, except election workers, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. The Township and employees are each required to contribute 6% of every qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township and employees made required contributions of \$15,482 and \$15,437, respectively. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

**NOTE 10 - CONSTRUCTION CODE ACT**

A summary of construction code enforcement transactions for the year ended March 31, 2021, is as follows:

Cumulative excess of revenues, beginning of year	<u>\$ -</u>
Revenues	\$ 76,657
Expenses	<u>81,478</u>
Deficiency of revenues over expenses	<u>\$ (4,821)</u>
Cumulative excess of revenues, end of year	<u>\$ -</u>

**NOTE 11 - INTERFUND TRANSFERS**

During the year ended March 31, 2021, the General Fund transferred \$50,000 to the Library Fund, which represents the Township's budgeted annual operating subsidy to support library operations, and \$8,000 to a nonmajor fund, which represents support for capital acquisitions.

**NOTE 12 - TRANSACTIONS BETWEEN PRIMARY GOVERNMENT AND COMPONENT UNIT**

During the year ended March 31, 2021, the following transaction between the primary government and its sole component unit, Dorr Township Downtown Development Authority (the Authority), was recorded:

The Authority contributed \$54,640 to the primary government's Sewer #5 Debt Service Fund to partially support the fund's current year debt service requirements.

**NOTE 13 - JOINTLY GOVERNED ORGANIZATION**

The Township, together with the Township of Leighton, established a joint waste water treatment authority (Dorr Township - Leighton Township Waste Water Authority) under the provisions of Public Act 233 of 1955, in order to acquire and operate water and sewage treatment systems to benefit both townships. The Township is contingently liable for \$1,044,070 of the Authority's outstanding bonds payable, a portion of which is to be repaid from collections of special assessments levied against properties within the Township. The contract payable, which equals the outstanding assessment balances, is included in the Township's governmental activities debt. Separate financial statements of the Authority are available at the Township office.

**NOTE 14 - RISK MANAGEMENT**

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

**NOTE 15 - PENDING ACCOUNTING PRONOUNCEMENT**

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for periods beginning after June 15, 2021. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.



## REQUIRED SUPPLEMENTARY INFORMATION

**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended March 31, 2021

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Property taxes	\$ 304,000	\$ 304,000	\$ 302,257	\$ (1,743)
Licenses and permits	178,600	178,600	122,392	(56,208)
State grants	678,250	678,250	675,922	(2,328)
Intergovernmental	93,800	93,800	-	(93,800)
Charges for services	28,900	28,900	41,297	12,397
Interest and rentals	45,300	45,300	35,581	(9,719)
Other	8,200	8,200	11,088	2,888
Total revenues	<u>1,337,050</u>	<u>1,337,050</u>	<u>1,188,537</u>	<u>(148,513)</u>
<b>EXPENDITURES</b>				
General government:				
Legislative	18,200	18,200	15,235	2,965
Supervisor	45,360	45,360	36,965	8,395
Elections	49,260	49,260	31,718	17,542
Assessor	48,170	48,170	44,817	3,353
Clerk	54,750	54,750	49,385	5,365
Treasurer	51,580	51,580	51,876	(296)
Hall and grounds	155,780	155,780	134,794	20,986
Cemetery	14,800	14,800	10,979	3,821
Other	199,540	199,540	171,323	28,217
Total general government	<u>637,440</u>	<u>637,440</u>	<u>547,092</u>	<u>90,348</u>
Public safety:				
Police protection	91,200	91,200	89,801	1,399
Fire department	137,390	137,390	121,597	15,793
Code inspections	130,000	130,000	81,478	48,522
Total public safety	<u>358,590</u>	<u>358,590</u>	<u>292,876</u>	<u>65,714</u>
Public works:				
Recycling	101,800	101,800	6,939	94,861
Road maintenance	25,000	25,000	29,577	(4,577)
Drains	22,900	22,900	34,445	(11,545)
Street lighting	100	100	-	100
Total public works	<u>149,800</u>	<u>149,800</u>	<u>70,961</u>	<u>78,839</u>

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

Year ended March 31, 2021

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>EXPENDITURES (Continued)</b>				
Health and welfare - ambulance	\$ 27,000	\$ 27,000	\$ 26,950	\$ 50
Community and economic development - planning and zoning	13,480	13,480	10,248	3,232
Recreation and culture:				
Parks	33,610	33,610	43,409	(9,799)
Library	16,500	16,500	11,850	4,650
Total recreation and culture	50,110	50,110	55,259	(5,149)
Capital outlay	102,100	102,100	56,636	45,464
Total expenditures	1,338,520	1,338,520	1,060,022	278,498
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(1,470)	(1,470)	128,515	129,985
<b>OTHER FINANCING USES</b>				
Transfers out	(50,000)	(50,000)	(58,000)	(8,000)
<b>NET CHANGES IN FUND BALANCES</b>	(51,470)	(51,470)	70,515	121,985
<b>FUND BALANCES - BEGINNING</b>	1,382,573	1,382,573	1,382,573	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,331,103</u>	<u>\$ 1,331,103</u>	<u>\$ 1,453,088</u>	<u>\$ 121,985</u>

**BUDGETARY COMPARISON SCHEDULE - Road Fund**

Year ended March 31, 2021

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Property taxes	\$ 817,500	\$ 817,500	\$ 813,307	\$ (4,193)
Interest	<u>2,500</u>	<u>2,500</u>	<u>1,032</u>	<u>(1,468)</u>
Total revenues	820,000	820,000	814,339	(5,661)
<b>EXPENDITURES</b>				
Public works	<u>1,041,300</u>	<u>1,041,300</u>	<u>846,976</u>	<u>194,324</u>
<b>NET CHANGES IN FUND BALANCES</b>	(221,300)	(221,300)	(32,637)	188,663
<b>FUND BALANCES - BEGINNING</b>	<u>865,801</u>	<u>865,801</u>	<u>865,801</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 644,501</u>	<u>\$ 644,501</u>	<u>\$ 833,164</u>	<u>\$ 188,663</u>

**BUDGETARY COMPARISON SCHEDULE - Library Fund**

Year ended March 31, 2021

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Property taxes	\$ 166,000	\$ 166,000	\$ 165,686	\$ (314)
State grants	5,200	5,200	8,411	3,211
Fines and forfeitures	38,000	38,000	34,490	(3,510)
Interest	600	600	-	(600)
Other	17,433	17,433	9,855	(7,578)
Total revenues	227,233	227,233	218,442	(8,791)
<b>EXPENDITURES</b>				
Recreation and culture	269,575	269,575	167,413	102,162
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(42,342)	(42,342)	51,029	93,371
<b>OTHER FINANCING SOURCES</b>				
Transfers in	50,000	50,000	50,000	-
<b>NET CHANGES IN FUND BALANCES</b>	7,658	7,658	101,029	93,371
<b>FUND BALANCES - BEGINNING</b>	294,855	294,855	294,855	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 302,513</u>	<u>\$ 302,513</u>	<u>\$ 395,884</u>	<u>\$ 93,371</u>

## **SUPPLEMENTARY INFORMATION**

**Township of Dorr****COMBINING BALANCE SHEET - nonmajor governmental funds***March 31, 2021*

	<u><i>Special revenue fund</i></u>	<u><i>Capital project fund</i></u>	
	<u><i>Street Lighting</i></u>	<u><i>Public Improvement</i></u>	<u><i>Totals</i></u>
<b>ASSETS</b>			
Cash	\$ 41,949	\$ 93,559	\$ 135,508
Receivables	<u>2,501</u>	<u>-</u>	<u>2,501</u>
Total assets	<u>\$ 44,450</u>	<u>\$ 93,559</u>	<u>\$ 138,009</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities - payables	<u>\$ 5,120</u>	<u>\$ -</u>	<u>\$ 5,120</u>
Fund balances:			
Restricted for public works	39,330	-	39,330
Assigned for capital acquisitions	<u>-</u>	<u>93,559</u>	<u>93,559</u>
Total fund balances	<u>39,330</u>	<u>93,559</u>	<u>132,889</u>
Total liabilities and fund balances	<u>\$ 44,450</u>	<u>\$ 93,559</u>	<u>\$ 138,009</u>

*Township of Dorr*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCES - *nonmajor governmental funds***

*Year ended March 31, 2021*

	<u><i>Special revenue fund</i></u>	<u><i>Capital project fund</i></u>	
	<u><i>Street Lighting</i></u>	<u><i>Public Improvement</i></u>	<u><i>Totals</i></u>
<b>REVENUES</b>			
Interest	\$ -	\$ 176	\$ 176
Other:			
Assessments	67,639	-	67,639
Miscellaneous	<u>-</u>	<u>217</u>	<u>217</u>
Total revenues	67,639	393	68,032
<b>EXPENDITURES</b>			
Current - Public works	<u>57,121</u>	<u>-</u>	<u>57,121</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	10,518	393	10,911
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>-</u>	<u>8,000</u>	<u>8,000</u>
<b>NET CHANGES IN FUND BALANCES</b>	10,518	8,393	18,911
<b>FUND BALANCES - BEGINNING</b>	<u>28,812</u>	<u>85,166</u>	<u>113,978</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 39,330</u>	<u>\$ 93,559</u>	<u>\$ 132,889</u>



**BALANCE SHEET - Downtown Development Authority**

March 31, 2021

**ASSETS**

Cash	\$ 266,783
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**LIABILITIES AND FUND BALANCE**

Liabilities - payables	\$ 2,801
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Fund balance - unassigned	263,982
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Total liabilities and fund balance	\$ 266,783
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Fund balance	\$ 263,982
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Amounts reported for the *component unit* in the statement of net position (page 11) are different because:

Capital assets used are not financial resources and, therefore, are not reported in the fund.

142,365
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Net position of the <i>component unit</i>	\$ 406,347
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*Township of Dorr*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND**

**BALANCE - *Downtown Development Authority***

*Year ended March 31, 2021*

**REVENUES**

Property tax captures	\$ 57,646
Interest income	<u>725</u>
Total revenues	<u>58,371</u>

**EXPENDITURES**

Current - public works	64,584
Capital outlay	<u>8,000</u>
Total expenditures	<u>72,584</u>

**NET CHANGE IN FUND BALANCE** (14,213)

**FUND BALANCE - BEGINNING** 278,195

**FUND BALANCE - ENDING** \$ 263,982

Net change in fund balance \$ (14,213)

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

Capital assets:

Asset additions	8,000
Depreciation	<u>(330)</u>

Change in net position of *component unit* \$ (6,543)

**BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority**

*Year ended March 31, 2021*

	<i><b>Original and final budget</b></i>	<i><b>Actual</b></i>	<i><b>Variance with final budget positive (negative)</b></i>
<b>REVENUES</b>			
Property taxes	\$ 45,000	\$ 57,646	\$ 12,646
Interest	-	725	725
Total revenues	45,000	58,371	13,371
<b>EXPENDITURES</b>			
Public works	68,180	64,584	3,596
Capital outlay	9,000	8,000	1,000
Total expenditures	77,180	72,584	4,596
<b>NET CHANGES IN FUND BALANCES</b>	(32,180)	(14,213)	17,967
<b>FUND BALANCES - BEGINNING</b>	278,195	278,195	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 246,015</u>	<u>\$ 263,982</u>	<u>\$ 17,967</u>

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

Board of Trustees  
Township of Dorr, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Dorr, Michigan (the Township), as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated September 16, 2021.

#### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified two deficiencies in internal control, described in the accompanying Schedule of Findings, that we consider to be material weaknesses.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

*Siegfried Crandall P.C.*

September 16, 2021

## **INTERNAL CONTROL DEFICIENCIES**

### Finding 2021-001 – Cash account reconciliations

*Criteria:* Policies and procedures must be in place to ensure that all bank accounts are reconciled monthly and the resulting balances are reconciled to the respective general ledger cash accounts in a timely manner.

*Condition:* Policies and procedures, related to cash account reconciliations, do not effectively ensure that reconciling items are identified and resolved, and that necessary adjustments are recorded, so that accurate reconciliations are completed in a timely manner. As a result, the Township's accounting records were initially misstated by amounts that were material to the financial statements. This is a repeat finding

*Cause:* Policies and procedures have not been implemented to promptly identify and compare all bank activity and general ledger transactions and to make necessary corrections in a timely manner.

*Effect:* Cash account reconciliations were not completed in a timely manner due to unidentified differences between bank activity and general ledger transaction postings. When cash reconciliations are not performed in a timely manner, errors and irregularities might not be recognized and resolved, and management's ability to make informed decisions is diminished.

*Auditor's Recommendation:* We recommend that procedures be established to promptly identify all differences between bank account activity and general ledger transactions to ensure that all reconciling items, and any accounting errors, are addressed and corrected in a timely manner. In addition, bank reconciliations, which are prepared by the Township Treasurer, should be reviewed for accuracy and completeness by the Township Clerk, on a monthly basis.

*Management Response:* Procedures are being implemented to properly identify all reconciling items and to make any necessary corrections in a timely manner.

### Finding 2021-002 - Material audit adjustments and preparation of financial statements

*Criteria:* All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e. external financial reporting).

*Condition:* We identified and proposed several material audit adjustments that management reviewed and approved. Adjustments were recorded to:

- Correct cash balances
- Accrue receivables at year end
- Adjust property tax revenues and receivables at year end
- Reclassify special assessment collections and correct the related receivable and deferred inflow balances
- Correct payables at year end
- Correct interfund balances
- Correct liability balances of the Tax Fund
- Convert the fund-based data necessary to prepare the government-wide financial statements

As is the case with many small and medium-sized governmental units, the Township has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot be considered part of the Township's internal controls. This is a repeat finding.

*Cause:* This condition was caused by the Township's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Township to perform this task internally because outsourcing the task is considered more cost effective.

*Effect:* The Township's accounting records were initially misstated by amounts material to the financial statements. In addition, the Township lacks complete internal controls over the preparation of its financial statements in accordance with GAAP and relies, at least in part, on assistance from its external auditor with this task.

*Auditor's Recommendation:* We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the Township's annual financial statements versus contracting with its auditor for these services.

*Management Response:* Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.