

Township of Dorr
Allegan County, Michigan

FINANCIAL STATEMENTS

Year ended March 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Township Board
Township of Dorr, Michigan

Report on the Audit of the Financial Statements

Opinions

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 (the Township), as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the contents.

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 as of March 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining nonmajor governmental 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 22, 2022, on our consideration of the Township'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'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 22, 2022

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, 2022. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$699,609 as a result of this year's activities.
- Of the \$6,307,628 total net position reported, \$2,237,032 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 \$1,589,336, representing 135 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 2022 and 2021 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 \$6,307,628. Of this total, \$2,077,710 represents a net investment in capital assets and \$1,992,886 is restricted for various purposes. The remaining net position, in the amount of \$2,237,032 is unrestricted.

Condensed financial information
Net position

	<i>Governmental activities</i>	
	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 4,803,153	\$ 3,704,485
Capital assets	<u>3,276,710</u>	<u>3,309,451</u>
Total assets	<u>8,079,863</u>	<u>7,013,936</u>
Current and other liabilities	548,345	103,583
Long-term debt	<u>1,223,890</u>	<u>1,302,334</u>
Total liabilities	<u>1,772,235</u>	<u>1,405,917</u>
Net position:		
Net investment in capital assets	2,077,710	2,088,451
Restricted	1,992,886	1,575,337
Unrestricted	<u>2,237,032</u>	<u>1,944,231</u>
Total net position	<u>\$ 6,307,628</u>	<u>\$ 5,608,019</u>

Changes in net position

The Township's total revenues were \$2,780,448. Property taxes and state grants provided about 49 percent and 30 percent, respectively, of the Township's revenues, while charges for services represented 13 percent.

The total cost of the Township's programs totaled \$2,080,839. About 31 percent of the Township's costs related to the provision of general government services. Public safety expenses accounted for 22 percent, public works expenses accounted for 31 percent, and recreation and culture expenses were 12 percent of the total.

Condensed financial information
Changes in net position

	<i>Governmental activities</i>	
	<u>2022</u>	<u>2021</u>
Program revenues:		
Charges for services	\$ 367,591	\$ 340,590
Operating grants and contributions	77,688	59,972
Capital grants and contributions	57,867	16,217
General revenues:		
Property taxes	1,355,890	1,318,838
State grants	835,509	663,001
Franchise fees	44,257	45,735
Shared casino revenue	36,788	26,746
Interest income	<u>4,858</u>	<u>6,018</u>
Total revenues	<u>2,780,448</u>	<u>2,477,117</u>
Expenses:		
General government	638,355	602,453
Public safety	458,052	408,646
Public works	637,223	1,050,421
Health and welfare	27,318	26,950
Community and economic development	9,070	10,248
Recreation and culture	257,127	254,539
Interest	<u>53,694</u>	<u>53,111</u>
Total expenses	<u>2,080,839</u>	<u>2,406,368</u>
Changes in net position	<u>\$ 699,609</u>	<u>\$ 70,749</u>
Net position, end of year	<u>\$ 6,307,628</u>	<u>\$ 5,608,019</u>

Governmental activities

The Township's net position increased by \$699,609 in the current year, compared to a \$70,749 increase last year. The increase in net position was higher in the current year as revenues increased by \$303,331 and expenses decreased by \$325,529. The increase in revenues was primarily due to a \$172,508 increase in state grants, due to an increase in state distributions. The decrease in expenses was primarily due to a \$413,198 decrease in public works costs, associated with lower road maintenance costs in the current year.

The total cost of governmental activities this year was \$2,080,839 compared to \$2,406,368 in the prior year. After subtracting the direct charges to those who directly benefited from the programs (\$367,591) and operating and capital grants (\$135,555), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$1,577,693 in the current year.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The Township's governmental funds reported combined ending fund balances of \$4,106,753, an increase of \$728,063 compared to the prior year.

The General Fund is the primary operating fund of the Township. The ending fund balance was \$1,638,199, an increase of \$185,111 from the prior year. Fund balance increased, as revenues of \$1,413,199 were sufficient to cover expenditures of \$1,178,088 and transfers to other funds of \$50,000.

The Road Fund, a special revenue fund, has been established to accumulate resources for road maintenance. The ending fund balance was \$1,213,376, an increase of \$380,212, as revenues of \$837,059 exceeded the fund's expenditures of \$456,847 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 \$507,068, an increase of \$111,184, as the fund's revenues of \$226,368 and a transfer from the General Fund of \$50,000 exceeded expenditures of \$165,184 in the current year.

The ARPA Fund, a new special revenue fund, received a federal grant of \$414,948 but the fund did not incur any expenditures; therefore, no revenue was recognized during the year.

The Sewer #5 Debt Fund, another debt service fund, accounts for assessments used to repay debt for certain sewer improvements. The fund collected \$101,616 in assessment principal and interest. After subtracting debt service expenditures totaling \$70,400, the resulting fund balance increase for the fiscal year was \$31,216. The Fund's restricted fund balance totaled \$168,557 at the end of the fiscal year.

General Fund budgetary highlights

The Township made no amendments to the General Fund budget during fiscal year 2022. Actual revenues were \$148,949 more than budgeted, while total expenditures were \$108,572 less than the amounts appropriated and transfers out were \$22,000 less than anticipated. These variances resulted in a \$279,521 positive budget variance, with a \$185,111 increase in fund balance, compared to a budget that anticipated a \$94,410 decrease in fund balance.

Actual revenues were \$148,949 more than budgeted, primarily because state grants were \$145,323 more than budgeted, as distributions from the state exceeded expectations.

Positive expenditure variances primarily resulted from lower than anticipated costs across most of the Township's activities. The largest negative variance related to capital outlay expenditures, as the Township's budget did not reflect costs related to the purchase of a police car.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Township's net investment in capital assets for its governmental activities at March 31, 2022, amounts to \$3,276,710, 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 \$32,741, as depreciation expense of \$281,941 exceeded asset acquisitions of \$249,200.

Major capital asset additions during the year included:

- A fire truck was purchased at a cost of \$119,443
- A police car was purchased for \$51,081
- Park improvements amounted to \$28,124
- A skid steer was purchased for \$27,500
- Library circulation material was purchased at a cost of \$14,591

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 \$1,223,890 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 \$78,444, 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 2023 in order to maintain current fund balances. Expenditures are expected to increase by nominal amounts compared to fiscal year 2022. 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 18th Street
Dorr, MI 49323

Phone: (616) 681-9874

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

March 31, 2022

	<u>Primary government</u>	<u>Component unit</u>
	<u>Governmental activities</u>	<u>Downtown Development Authority</u>
ASSETS		
Current assets:		
Cash	\$ 4,345,241	\$ 255,522
Receivables	282,957	-
Prepaid expenses	29,966	-
	<u>4,658,164</u>	<u>255,522</u>
Total current assets		
Noncurrent assets:		
Receivables	144,989	-
Capital assets not being depreciated - land	592,389	139,047
Capital assets, net of accumulated depreciation	2,684,321	17,877
	<u>3,421,699</u>	<u>156,924</u>
Total noncurrent assets		
Total assets	<u>8,079,863</u>	<u>412,446</u>
LIABILITIES		
Current liabilities:		
Payables	124,997	-
Unearned grant revenue	423,348	-
Current portion of bonds and contract payable	35,445	-
	<u>583,790</u>	<u>-</u>
Total current liabilities		
Noncurrent liabilities - bonds and contract payable	<u>1,188,445</u>	<u>-</u>
Total liabilities	<u>1,772,235</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	2,077,710	156,924
Restricted for:		
Public safety	18,897	-
Public works	1,259,296	-
Capital acquisitions	439,971	-
Debt service	274,722	-
Unrestricted	<u>2,237,032</u>	<u>255,522</u>
Total net position	<u>\$ 6,307,628</u>	<u>\$ 412,446</u>

See notes to financial statements

Year ended March 31, 2022

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Township of Dorr

BALANCE SHEET - governmental funds

March 31, 2022

		<i>Special revenue funds</i>				<i>Debt service fund</i>	<i>Nonmajor funds</i>	<i>Total governmental funds</i>
	<i>General</i>	<i>Roads</i>	<i>Library</i>	<i>ARPA</i>	<i>Sewer #5 Debt</i>			
ASSETS								
Cash	\$ 1,478,087	\$ 1,191,186	\$ 518,821	\$ 414,948	\$ 164,471	\$ 577,728		4,345,241
Receivables	236,411	22,190	7,438	-	130,250	31,657		427,946
Prepaid expenditures	29,966	-	-	-	-	-		29,966
Total assets	<u>\$ 1,744,464</u>	<u>\$ 1,213,376</u>	<u>\$ 526,259</u>	<u>\$ 414,948</u>	<u>\$ 294,721</u>	<u>\$ 609,385</u>		<u>\$ 4,803,153</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities:								
Payables	\$ 89,265	\$ -	\$ 10,791	\$ -	\$ -	\$ 4,541		\$ 104,597
Unearned grant revenue	-	-	8,400	414,948	-	-		423,348
Total liabilities	<u>89,265</u>	<u>-</u>	<u>19,191</u>	<u>414,948</u>	<u>-</u>	<u>4,541</u>		<u>527,945</u>
Deferred inflows of resources:								
Unavailable special assessment revenue	-	-	-	-	124,764	24,891		149,655
Unavailable casino revenue	17,000	-	-	-	-	-		17,000
Unavailable interest revenue	-	-	-	-	1,400	400		1,800
Total deferred inflows of resources	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,164</u>	<u>25,291</u>		<u>168,455</u>
Fund balances:								
Nonspendable - prepaids	29,966	-	-	-	-	-		29,966
Restricted for:								
Public safety	18,897	-	-	-	-	-		18,897
Public works	-	1,213,376	-	-	-	45,920		1,259,296
Capital acquisitions	-	-	-	-	-	439,971		439,971
Debt service	-	-	-	-	168,557	-		168,557
Assigned for:								
Recreation and culture	-	-	507,068	-	-	-		507,068
Capital acquisitions	-	-	-	-	-	93,662		93,662
Unassigned	<u>1,589,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>1,589,336</u>
Total fund balances	<u>1,638,199</u>	<u>1,213,376</u>	<u>507,068</u>	<u>-</u>	<u>168,557</u>	<u>579,553</u>		<u>4,106,753</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,744,464</u>	<u>\$ 1,213,376</u>	<u>\$ 526,259</u>	<u>\$ 414,948</u>	<u>\$ 294,721</u>	<u>\$ 609,385</u>		<u>\$ 4,803,153</u>

See notes to financial statements

BALANCE SHEET - governmental funds (Continued)

March 31, 2022

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

Total fund balance - total governmental funds (page 14)	\$ 4,106,753
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Amounts reported for *governmental activities* in the statement of net position (page 12) are different because:

Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	3,276,710
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Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	168,455
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Interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(20,400)
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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>(1,223,890)</u>
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Net position of <i>governmental activities</i>	<u><u>\$ 6,307,628</u></u>
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Township of Dorr

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

Year ended March 31, 2022

	<u>Special revenue funds</u>				<u>Debt service fund</u>		<u>Total governmental funds</u>
	<u>General</u>	<u>Roads</u>	<u>Library</u>	<u>ARPA</u>	<u>Sewer #5 Debt</u>	<u>Nonmajor funds</u>	
REVENUES							
Property taxes	\$ 311,814	\$ 835,974	\$ 170,259	\$ -	\$ -	\$ 139,286	\$ 1,457,333
Licenses and permits	138,875	-	-	-	-	-	138,875
Federal grants	2,232	-	-	-	-	-	2,232
State grants	847,373	-	9,477	-	-	4,999	861,849
Charges for services	34,827	-	-	-	-	-	34,827
Fines and forfeitures	-	-	31,220	-	-	-	31,220
Interest and rentals	38,618	1,085	579	-	12,945	7,008	60,235
Other	39,460	-	14,833	-	88,671	124,120	267,084
Total revenues	<u>1,413,199</u>	<u>837,059</u>	<u>226,368</u>	<u>-</u>	<u>101,616</u>	<u>275,413</u>	<u>2,853,655</u>
EXPENDITURES							
Current:							
General government	589,944	-	-	-	-	-	589,944
Public safety	314,858	-	-	-	-	-	314,858
Public works	43,963	456,847	-	-	-	61,049	561,859
Health and welfare	27,318	-	-	-	-	-	27,318
Community and economic development	9,070	-	-	-	-	-	9,070
Recreation and culture	58,784	-	165,184	-	-	-	223,968
Capital outlay	134,151	-	-	-	-	131,186	265,337
Debt service:							
Principal	-	-	-	-	22,000	56,444	78,444
Interest	-	-	-	-	48,400	6,394	54,794
Total expenditures	<u>1,178,088</u>	<u>456,847</u>	<u>165,184</u>	<u>-</u>	<u>70,400</u>	<u>255,073</u>	<u>2,125,592</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>235,111</u>	<u>380,212</u>	<u>61,184</u>	<u>-</u>	<u>31,216</u>	<u>20,340</u>	<u>728,063</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	50,000	-	-	-	50,000
Transfers out	(50,000)	-	-	-	-	-	(50,000)
Net other financing sources (uses)	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>185,111</u>	<u>380,212</u>	<u>111,184</u>	<u>-</u>	<u>31,216</u>	<u>20,340</u>	<u>728,063</u>
FUND BALANCES - BEGINNING	<u>1,453,088</u>	<u>833,164</u>	<u>395,884</u>	<u>-</u>	<u>137,341</u>	<u>559,213</u>	<u>3,378,690</u>
FUND BALANCES - ENDING	<u>\$ 1,638,199</u>	<u>\$ 1,213,376</u>	<u>\$ 507,068</u>	<u>\$ -</u>	<u>\$ 168,557</u>	<u>\$ 579,553</u>	<u>\$ 4,106,753</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, 2022

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) \$ 728,063

Amounts reported for *governmental activities* in the statement of
activities (page 13) are different because:

Capital assets:

Additions	249,200
Depreciation	(281,941)

Long-term debt - principal payments 69,244

Changes in deferred inflows of resources:

Net decrease in unavailable charges for services	(2,050)
Net decrease in unavailable special assessment revenue	(63,054)
Net increase in unavailable casino revenue	2,000
Net decrease in unavailable interest revenue	(2,953)

Changes in other assets/liabilities:

Net decrease in accrued interest expense	<u>1,100</u>
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Change in net position of *governmental activities* \$ 699,609

See notes to financial statements

STATEMENT OF FIDUCIARY NET POSTION - *Custodial Fund*

March 31, 2022

	<i>Tax Collection</i>
ASSETS	
Cash	<u>\$ 4,849</u>
LIABILITIES	
Due to other governments	<u>4,849</u>
NET POSITION	
Restricted for individuals and other governments	<u>\$ -</u>

See notes to financial statements

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

March 31, 2022

	<u>Tax Collection</u>
ADDITIONS	
Property taxes collections for other governments	\$ 8,779,647
DEDUCTIONS	
Payments of property taxes to other governments	<u>8,779,647</u>
CHANGE IN FIDUCIARY NET POSITION	-
NET POSITION - BEGINNING	<u>-</u>
NET POSTION - ENDING	<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 ARPA Fund, a special revenue fund, is used to account for the restricted resources provided by the American Rescue Plan Act. Revenues are derived from a federal grant.

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 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

Unearned revenue - Unearned revenue represents resources related to grant revenues, which has not yet been earned.

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 three items that are included in this category: special assessments, casino revenue, 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	General government	Supervisor	\$ 46,440	\$ 49,539	\$ 3,099
		Treasurer	51,530	53,482	1,952
	Public works	Recycling	8,000	10,530	2,530
	Recreation and culture	Parks	34,830	47,098	12,268
	Capital outlay	Capital outlay	104,600	134,151	29,551
Street Lighting	Public works	Street Lighting	-	61,049	61,049
Downtown Development Authority:					
General	Capital outlay	Capital outlay	9,000	15,539	6,539

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	\$ 4,344,941	\$ 4,849	\$ 255,522	\$ 4,605,312
Cash on hand	300	-	-	300
	<u>\$ 4,345,241</u>	<u>\$ 4,849</u>	<u>\$ 255,522</u>	<u>\$ 4,605,612</u>

NOTE 3 - CASH (Continued)

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.

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, 2022, 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	\$ 4,389,220	\$ 2,587,958
Component unit	255,522	5,522

NOTE 4 - RECEIVABLES

Receivables as of March 31, 2022, 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	\$ 27,932	\$ 8,088	\$ -	\$ -	\$ 200,391	\$ 236,411
Roads	-	22,190	-	-	-	22,190
Library	-	4,520	-	-	2,918	7,438
Sewer #5 Debt	-	-	125,155	1,808	3,287	130,250
Nonmajor	<u>310</u>	<u>6,056</u>	<u>24,891</u>	<u>400</u>	<u>-</u>	<u>31,657</u>
Total governmental	<u>\$ 28,242</u>	<u>\$ 40,854</u>	<u>\$ 150,046</u>	<u>\$ 2,208</u>	<u>\$ 206,596</u>	<u>\$ 427,946</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,989</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, 2022, 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	1,540,101	-	-	1,540,101
Land improvements	533,315	13,114	-	546,429
Equipment	878,465	50,971	-	929,436
Vehicles	1,674,980	170,524	(29,876)	1,815,628
Library circulation materials	155,290	14,591	(19,731)	150,150
Infrastructure	1,444,835	-	-	1,444,835
Subtotal	6,226,986	249,200	(49,607)	6,426,579
Less accumulated depreciation for:				
Buildings	(714,668)	(41,584)	-	(756,252)
Land improvements	(319,759)	(25,804)	-	(345,563)
Equipment	(655,811)	(44,004)	-	(699,815)
Vehicles	(930,472)	(84,751)	29,876	(985,347)
Library circulation materials	(94,553)	(13,556)	19,731	(88,378)
Infrastructure	(794,661)	(72,242)	-	(866,903)
Subtotal	(3,509,924)	(281,941)	49,607	(3,742,258)
Total capital assets being depreciated, net	2,717,062	(32,741)	-	2,684,321
Primary government, governmental activities capital assets, net	\$ 3,309,451	\$ (32,741)	\$ -	\$ 3,276,710

NOTE 5 - CAPITAL ASSETS (Continued)

Component unit:

Capital assets not being depreciated - land	\$ 139,047	\$ -	\$ -	\$ 139,047
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Capital assets being depreciated:

Land improvements	6,632	10,391	-	17,023
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Equipment	-	5,148	-	5,148
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Subtotal	6,632	15,539	-	22,171
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Less accumulated depreciation for:

Land improvements	(3,314)	(851)	-	(4,165)
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Equipment	-	(129)	-	(129)
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Subtotal	(3,314)	(980)	-	(4,294)
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Total capital assets being
depreciated, net

3,318	14,559	-	17,877
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Component unit capital assets, net	\$ 142,365	\$ 14,559	\$ -	\$ 156,924
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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	\$ 35,661	\$ -
Public safety	110,052	-
Public works	75,364	980
Recreation and culture	60,864	-
Totals	\$ 281,941	\$ 980

NOTE 6 - PAYABLES

Payables as of March 31, 2022, for the Township's individual major funds and nonmajor funds, in the aggregate, were as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Payroll</i>	<i>Intergovern- mental</i>	<i>Totals</i>
Primary government:				
Governmental:				
General	\$ 44,228	\$ 3,162	\$ 41,875	\$ 89,265
Library	8,045	2,746	-	10,791
Nonmajor	4,541	-	-	4,541
Total governmental	\$ 56,814	\$ 5,908	\$ 41,875	\$ 104,597

NOTE 7 - LONG-TERM DEBT

At March 31, 2022, 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%	\$ 258,000
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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>941,000</u>
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Total bonds payable	1,199,000
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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>24,890</u>
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Total governmental activities	<u>\$ 1,223,890</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, 2022, 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	\$ 263,000	\$ -	\$ (5,000)	\$ 258,000	\$ 5,000
2010 Local development bonds	958,000	-	(17,000)	941,000	18,000
2005 Sewer assessment contract	<u>81,334</u>	<u>-</u>	<u>(56,444)</u>	<u>24,890</u>	<u>12,445</u>
Total governmental activities	<u>\$ 1,302,334</u>	<u>\$ -</u>	<u>\$ (78,444)</u>	<u>\$ 1,223,890</u>	<u>\$ 35,445</u>

NOTE 7 - LONG-TERM DEBT (Continued)

Debt service requirements at March 31, 2022, were as follows:

<i>Year ended</i> <u>March 31:</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 35,445	\$ 48,799
2024	36,445	47,210
2025	24,000	45,600
2026	25,000	44,620
2027	27,000	43,580
2028 - 2032	149,000	200,700
2033 - 2037	181,000	167,900
2038 - 2042	220,000	127,840
2043 - 2047	270,000	79,000
2048 - 2051	<u>256,000</u>	<u>21,000</u>
Totals	<u>\$ 1,223,890</u>	<u>\$ 826,249</u>

NOTE 8 - PROPERTY TAX REVENUES

The 2021 taxable valuation of the Township approximated \$294,686,000, on which ad valorem taxes levied consisted of 0.7250 mills for operating purposes, 2.8896 mills for roads, 0.4815 mills for fire equipment, and 0.5886 mills for library services, raising approximately \$214,000 for operating purposes, \$852,000 for roads, \$142,000 for fire equipment, and \$174,000 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 \$17,048 and \$17,026, 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, 2022, is as follows:

Cumulative excess of revenues, beginning of year	<u>\$ -</u>
Revenues	\$ 94,618
Expenses	<u>103,631</u>
Deficiency of revenues over expenses	<u>\$ (9,013)</u>
Cumulative excess of revenues, end of year	<u>\$ -</u>

NOTE 11 - INTERFUND TRANSFER

During the year ended March 31, 2022, the General Fund transferred \$50,000 to the Library Fund, which represents the Township's budgeted annual operating subsidy to support library operations.

NOTE 12 - TRANSACTIONS BETWEEN PRIMARY GOVERNMENT AND COMPONENT UNIT

During the year ended March 31, 2022, the following transaction between the primary government and its sole component unit, Dorr Township Downtown Development Authority (the Authority), was recorded:

The Authority contributed \$54,980 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 \$816,305 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 - AMERICAN RESCUE PLAN ACT of 2021

On March 11, 2021, the United States executed the American Rescue Plan Act of 2021 (ARPA), which included \$362 billion in funds to be awarded as economic assistance to state and local units to prepare for and respond to COVID-19. Under the American Rescue Plan Act, the Township, was awarded \$826,568 in federal Coronavirus Local Fiscal Recovery Funds ("ARPA Funds"). The Township received half of the ARPA Funds in September 2021, and the second half in June 2022. The amount received in fiscal year 2022 (\$414,948) is presented as unearned revenue in the ARPA Fund at March 31, 2022, as no expenditures were incurred during fiscal year 2022. The Township is subject to rules issued by the U.S. Treasury Department regarding the use of ARPA Funds and has identified the following allowable uses: support public health expenditures, address negative economic impacts caused by the COVID-19 public health emergency, replace lost public sector revenue, provide premium pay for essential workers, and invest in water, sewer, and broadband infrastructure. The Township expects to spend the awarded funds under the applicable federal guidelines.

NOTE 16 - PENDING ACCOUNTING PRONOUNCEMENT

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended March 31, 2022

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 312,100	\$ 312,100	\$ 311,814	\$ (286)
Licenses and permits	170,000	170,000	138,875	(31,125)
Federal grants	-	-	2,232	2,232
State grants	702,050	702,050	847,373	145,323
Charges for services	25,700	25,700	34,827	9,127
Interest and rentals	46,200	46,200	38,618	(7,582)
Other	8,200	8,200	39,460	31,260
Total revenues	1,264,250	1,264,250	1,413,199	148,949
EXPENDITURES				
General government:				
Legislative	20,790	20,790	17,828	2,962
Supervisor	46,440	46,440	49,539	(3,099)
Elections	12,260	12,260	8,101	4,159
Assessor	48,420	48,420	44,095	4,325
Clerk	56,650	56,650	51,745	4,905
Treasurer	51,530	51,530	53,482	(1,952)
Hall and grounds	163,930	163,930	163,577	353
Cemetery	13,800	13,800	11,624	2,176
Other	212,060	212,060	189,953	22,107
Total general government	625,880	625,880	589,944	35,936
Public safety:				
Police protection	90,200	90,200	88,075	2,125
Fire department	144,570	144,570	123,152	21,418
Code inspections	132,500	132,500	103,631	28,869
Total public safety	367,270	367,270	314,858	52,412
Public works:				
Recycling	8,000	8,000	10,530	(2,530)
Road maintenance	56,000	56,000	9,855	46,145
Drains	23,800	23,800	23,578	222
Street lighting	100	100	-	100
Total public works	87,900	87,900	43,963	43,937

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2022

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
EXPENDITURES (Continued)				
Health and welfare - ambulance	\$ 38,000	\$ 38,000	\$ 27,318	\$ 10,682
Community and economic development - planning and zoning	13,480	13,480	9,070	4,410
Recreation and culture:				
Parks	34,830	34,830	47,098	(12,268)
Library	14,700	14,700	11,686	3,014
Total recreation and culture	49,530	49,530	58,784	(9,254)
Capital outlay	104,600	104,600	134,151	(29,551)
Total expenditures	1,286,660	1,286,660	1,178,088	108,572
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(22,410)	(22,410)	235,111	257,521
OTHER FINANCING USES				
Transfers out	(72,000)	(72,000)	(50,000)	22,000
NET CHANGES IN FUND BALANCES	(94,410)	(94,410)	185,111	279,521
FUND BALANCES - BEGINNING	1,453,088	1,453,088	1,453,088	-
FUND BALANCES - ENDING	<u>\$ 1,358,678</u>	<u>\$ 1,358,678</u>	<u>\$ 1,638,199</u>	<u>\$ 279,521</u>

BUDGETARY COMPARISON SCHEDULE - Road Fund

Year ended March 31, 2022

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 817,500	\$ 817,500	\$ 835,974	\$ 18,474
Interest	<u>2,500</u>	<u>2,500</u>	<u>1,085</u>	<u>(1,415)</u>
Total revenues	820,000	820,000	837,059	17,059
EXPENDITURES				
Public works	<u>1,041,300</u>	<u>1,041,300</u>	<u>456,847</u>	<u>584,453</u>
NET CHANGES IN FUND BALANCES	(221,300)	(221,300)	380,212	601,512
FUND BALANCES - BEGINNING	<u>833,164</u>	<u>833,164</u>	<u>833,164</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 611,864</u>	<u>\$ 611,864</u>	<u>\$ 1,213,376</u>	<u>\$ 601,512</u>

BUDGETARY COMPARISON SCHEDULE - Library Fund

Year ended March 31, 2022

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 169,000	\$ 169,000	\$ 170,259	\$ 1,259
State grants	5,200	5,200	9,477	4,277
Fines and forfeitures	28,500	28,500	31,220	2,720
Interest	600	600	579	(21)
Other	5,274	5,274	14,833	9,559
Total revenues	208,574	208,574	226,368	17,794
EXPENDITURES				
Recreation and culture	243,950	243,950	165,184	78,766
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(35,376)	(35,376)	61,184	96,560
OTHER FINANCING SOURCES				
Transfers in	50,000	50,000	50,000	-
NET CHANGES IN FUND BALANCES	14,624	14,624	111,184	96,560
FUND BALANCES - BEGINNING	395,884	395,884	395,884	-
FUND BALANCES - ENDING	<u>\$ 410,508</u>	<u>\$ 410,508</u>	<u>\$ 507,068</u>	<u>\$ 96,560</u>

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - nonmajor governmental funds

March 31, 2022

	<u>Special revenue fund</u>	<u>Capital project funds</u>		<u>Debt service fund</u>	
	<u>Street Lighting</u>	<u>Public Improvement</u>	<u>Fire Equipment</u>	<u>Sewer #4 Debt</u>	<u>Totals</u>
ASSETS					
Cash	\$ 48,102	\$ 93,662	\$ 435,964	\$ -	\$ 577,728
Receivables	2,359	-	4,007	25,291	31,657
Total assets	<u>\$ 50,461</u>	<u>\$ 93,662</u>	<u>\$ 439,971</u>	<u>\$ 25,291</u>	<u>\$ 609,385</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities - payables	<u>\$ 4,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,541</u>
Deferred inflows of resources:					
Unavailable special assessment revenue	-	-	-	24,891	24,891
Unavailable interest revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>400</u>	<u>400</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,291</u>	<u>25,291</u>
Fund balances:					
Restricted for:					
Public works	45,920	-	-	-	45,920
Capital acquisitions	-	-	439,971	-	439,971
Assigned for capital acquisitions	<u>-</u>	<u>93,662</u>	<u>-</u>	<u>-</u>	<u>93,662</u>
Total fund balances	<u>45,920</u>	<u>93,662</u>	<u>439,971</u>	<u>-</u>	<u>579,553</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 50,461</u>	<u>\$ 93,662</u>	<u>\$ 439,971</u>	<u>\$ 25,291</u>	<u>\$ 609,385</u>

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

Year ended March 31, 2022

	<i>Special revenue fund</i>	<i>Capital project funds</i>		<i>Debt service fund</i>	
	<i>Street Lighting</i>	<i>Public Improvement</i>	<i>Fire Equipment</i>	<i>Sewer #4 Debt</i>	<i>Totals</i>
REVENUES					
Property taxes	\$ -	\$ -	\$ 139,286	\$ -	\$ 139,286
State grants	-	-	4,999	-	4,999
Interest	-	103	511	6,394	7,008
Other:					
Assessments	67,639	-	-	56,444	124,083
Miscellaneous	-	-	37	-	37
Total revenues	<u>67,639</u>	<u>103</u>	<u>144,833</u>	<u>62,838</u>	<u>275,413</u>
EXPENDITURES					
Current:					
Public works	61,049	-	-	-	61,049
Capital outlay	-	-	131,186	-	131,186
Debt service:					
Principal	-	-	-	56,444	56,444
Interest	-	-	-	6,394	6,394
Total expenditures	<u>61,049</u>	<u>-</u>	<u>131,186</u>	<u>62,838</u>	<u>255,073</u>
NET CHANGES IN FUND BALANCES	6,590	103	13,647	-	20,340
FUND BALANCES - BEGINNING	<u>39,330</u>	<u>93,559</u>	<u>426,324</u>	<u>-</u>	<u>559,213</u>
FUND BALANCES - ENDING	<u>\$ 45,920</u>	<u>\$ 93,662</u>	<u>\$ 439,971</u>	<u>\$ -</u>	<u>\$ 579,553</u>

BALANCE SHEET - Downtown Development Authority

March 31, 2022

ASSETS

Cash	\$ 255,522
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FUND BALANCE

Unassigned	\$ 255,522
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Fund balance	\$ 255,522
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Amounts reported for the *component unit* in the statement of net position (page 12) are different because:

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

156,924

Net position of the *component unit*

\$ 412,446

Township of Dorr

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE - Downtown Development Authority**

Year ended March 31, 2022

REVENUES

Property tax captures	\$ 62,274
Interest income	<u>25</u>
Total revenues	<u>62,299</u>

EXPENDITURES

Current - public works	55,220
Capital outlay	<u>15,539</u>
Total expenditures	<u>70,759</u>

NET CHANGE IN FUND BALANCE (8,460)

FUND BALANCE - BEGINNING 263,982

FUND BALANCE - ENDING \$ 255,522

Net change in fund balance \$ (8,460)

Amounts reported for the *component unit* in the statement of activities
(page 13) are different because:

Capital assets:

Asset additions	15,539
Depreciation	<u>(980)</u>

Change in net position of *component unit* \$ 6,099

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority

Year ended March 31, 2022

	<i>Original and final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
Property taxes	\$ 45,000	\$ 62,274	\$ 17,274
Interest	-	25	25
Total revenues	<u>45,000</u>	<u>62,299</u>	<u>17,299</u>
EXPENDITURES			
Public works	59,680	55,220	4,460
Capital outlay	<u>9,000</u>	<u>15,539</u>	<u>(6,539)</u>
Total expenditures	<u>68,680</u>	<u>70,759</u>	<u>(2,079)</u>
NET CHANGES IN FUND BALANCES	(23,680)	(8,460)	15,220
FUND BALANCES - BEGINNING	<u>263,982</u>	<u>263,982</u>	-
FUND BALANCES - ENDING	<u>\$ 240,302</u>	<u>\$ 255,522</u>	<u>\$ 15,220</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, 2022, 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 22, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying Schedule of Findings as item 2022-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings as item 2022-002 to be a significant deficiency.

Report on 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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on 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 other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 22, 2022

INTERNAL CONTROL DEFICIENCIES

Finding 2022-001 - 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:

- Accrue 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 cash and 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.

Finding 2022-002 - Cash account reconciliations

Criteria: Cash account reconciliations must be performed monthly, and the resulting balances must be reconciled to the respective general ledger cash accounts in a timely manner to assist in the safeguarding of assets. The Department of Treasury defines timely as four to six weeks after the end of the month.

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. Bank reconciliations were accurate by the time we performed the audit, but not prepared in a timely manner. 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, and differences were undetected for some time. 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.