

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**Year Ended February 29, 2021**



# **Village of Schoolcraft**

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**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

**Year Ended February 28, 2021**



# Village of Schoolcraft

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February 28, 2021

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**INDEPENDENT AUDITOR'S REPORT**

To the Village Council  
Village of Schoolcraft

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Schoolcraft as of and for the year ended February 28, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

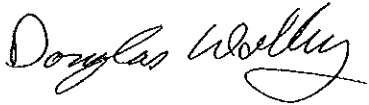
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village, as of February 28, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued  
To the Village Council  
Village of Schoolcraft

**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 noted in the table of 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.

A handwritten signature in black ink, reading "Douglas Wohlberg". The signature is written in a cursive, flowing style.

Douglas Wohlberg, CPA  
Byron Center, Michigan  
August 23, 2021

# Village of Schoolcraft

## Management's Discussion and Analysis

For the year ended February 28, 2021

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

### The Village as a Whole

The Village's combined net position increased by \$447,741 from a year ago, from \$4,654,148 to \$5,101,889.

Unrestricted net position for the governmental activities, the part of governmental net position that can be used to finance day to day operations, decreased by \$275,617 to \$692,011. This represents a decrease of approximately 28%. Unrestricted net position for our governmental activities is about 59% of governmental expenses. This is within the targeted range set by the Village Council during its last budget process.

Following is a summary of the Statement of Net Position.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Assets:</b>						
Current assets	\$ 2,075,621	\$ 1,958,057	\$ 411,055	\$ 267,847	\$ 2,486,676	\$ 2,225,904
Noncurrent assets	1,789,638	1,579,936	1,322,599	1,372,123	3,112,237	2,952,059
<b>Total assets</b>	<b>3,865,259</b>	<b>3,537,993</b>	<b>1,733,654</b>	<b>1,639,970</b>	<b>5,598,913</b>	<b>5,177,963</b>
<b>Liabilities:</b>						
Long-term debt outstanding	408,162	443,534	8,648	8,547	416,810	452,081
Other liabilities	68,678	66,972	11,536	4,762	80,214	71,734
<b>Total liabilities</b>	<b>476,840</b>	<b>510,506</b>	<b>20,184</b>	<b>13,309</b>	<b>497,024</b>	<b>523,815</b>
<b>Net position:</b>						
Net investment in capital assets	1,789,638	1,176,015	1,322,599	1,372,123	3,112,237	2,548,138
Restricted	906,770	883,844	-	-	906,770	883,844
Unrestricted	692,011	967,628	390,871	254,538	1,082,882	1,222,166
<b>Total net position</b>	<b>\$ 3,388,419</b>	<b>\$ 3,027,487</b>	<b>\$ 1,713,470</b>	<b>\$ 1,626,661</b>	<b>\$ 5,101,889</b>	<b>\$ 4,654,148</b>



# Village of Schoolcraft

## Management's Discussion and Analysis

For the year ended February 28, 2021

The following table shows the changes of net position as of February 28, 2021.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Program revenues</b>						
Charges for services	\$ 14,277	\$ 21,110	\$ 305,921	\$ 285,024	\$ 320,198	\$ 306,134
Operating grants	334,713	277,272	-	-	334,713	277,272
Capital grants	144,205	-	-	-	144,205	-
<b>General revenues</b>						
Property taxes	861,107	786,783	-	-	861,107	786,783
State-shared revenues	154,810	158,313	-	-	154,810	158,313
Franchise fees	10,716	10,335	-	-	10,716	10,335
Unrestricted investment income	5,111	22,002	576	2,507	5,687	24,509
Intergovernmental	14,609	15,962	-	-	14,609	15,962
Miscellaneous	422	705	5,250	16,658	5,672	17,363
<b>Total revenues</b>	<b>1,539,970</b>	<b>1,292,482</b>	<b>311,747</b>	<b>304,189</b>	<b>1,851,717</b>	<b>1,596,671</b>
<b>Expenses</b>						
General government	257,346	205,479	-	-	257,346	205,479
Public safety	418,488	438,831	-	-	418,488	438,831
Public works	262,932	278,952	-	-	262,932	278,952
Community and economic development	41,187	51,401	-	-	41,187	51,401
Recreation and culture	189,312	217,884	-	-	189,312	217,884
Interest on long-term debt	9,773	10,988	-	-	9,773	10,988
Water Fund	-	-	224,938	225,209	224,938	225,209
<b>Total expenses</b>	<b>1,179,038</b>	<b>1,203,535</b>	<b>224,938</b>	<b>225,209</b>	<b>1,403,976</b>	<b>1,428,744</b>
<b>Change in net position</b>	<b>360,932</b>	<b>88,947</b>	<b>86,809</b>	<b>78,980</b>	<b>447,741</b>	<b>167,927</b>
<b>Net position-beginning</b>	<b>3,027,487</b>	<b>2,938,540</b>	<b>1,626,661</b>	<b>1,547,681</b>	<b>4,654,148</b>	<b>4,486,221</b>
<b>Net position-ending</b>	<b>\$ 3,388,419</b>	<b>\$ 3,027,487</b>	<b>\$ 1,713,470</b>	<b>\$ 1,626,661</b>	<b>\$ 5,101,889</b>	<b>\$ 4,654,148</b>

# Village of Schoolcraft

## Management's Discussion and Analysis

For the year ended February 28, 2021

### Financial Analysis of the Village's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,788,706, an increase of \$85,391 from the prior year. Of the \$1,788,706, \$880,876 is reported in the General Fund.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$864,197. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 104% of total General Fund expenditures of \$834,206. The fund balance of the Village's General Fund increased by \$64,938 during the current fiscal year.

The Major Street Fund is used to account for Michigan Transportation Fund revenue that is restricted to be used for the maintenance and construction of the Village's major streets. At the end of the current fiscal year, fund balance was \$465,924, an decrease of \$32,269 from the prior year.

The Local Street Fund is used to account for Michigan Transportation Fund revenue that is restricted to be used for the maintenance and construction of the Village's local streets. At the end of the current fiscal year, fund balance was \$131,041, a decrease of \$6,588 from the prior year.



The Downtown Development Authority Fund is used to account for captured property tax revenue that is restricted to be used for the economic development of the downtown district. At the end of the current fiscal year, fund balance was \$-, an increase of \$- from the prior year.

3,726

57,573

The Library Fund is used to account for property tax, contributions from other municipalities, penal fines, and other revenues that are restricted to be used to provide library services to Village residents. At the end of the current fiscal year, fund balance was \$310,865, a increase of \$59,310 from the prior year.

Proprietary fund. The Village's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Fund at the end of the year was \$390,871. The Water Fund had an increase in net position for the year of \$86,809.

### The Village's Governmental Fund Budgets

The most significant amendments to the budgets of the Village's governmental funds follows. In the General Fund, the Manager's department budget was increased approximately \$55,000 to reflect changes in the allocation of the Manager's salary. In the Major Streets Fund, preservation of streets was reduced approximately \$70,000 to reflect changes in planned work.

# Village of Schoolcraft

## Management's Discussion and Analysis

For the year ended February 28, 2021

### Capital Asset and Debt Administration

At the end of 2021, the Village had \$3,112,237, net of accumulated depreciation, invested in a broad range of capital assets, including buildings, police equipment, streets and water infrastructure.

The following table shows the Village's capital assets compared to last year.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 130,000	\$ 130,000	\$ -	\$ -	\$ 130,000	\$ 130,000
Construction in progress	-	6,620	-	-	-	6,620
Buildings and improvements	825,292	859,595	470,002	493,035	1,295,294	1,352,630
Machinery and equipment	103,384	123,156	491	589	103,875	123,745
Furniture	2	2	-	-	2	2
Vehicles	26,059	38,457	-	-	26,059	38,457
Books	15,293	14,058	-	-	15,293	14,058
Infrastructure	689,608	408,048	-	-	689,608	408,048
Water system	-	-	852,106	878,499	852,106	878,499
<b>Total capital assets</b>	<b>\$ 1,789,638</b>	<b>\$ 1,579,936</b>	<b>\$ 1,322,599</b>	<b>\$ 1,372,123</b>	<b>\$ 3,112,237</b>	<b>\$ 2,952,059</b>

Major additions this year include the following:

Library books	\$ 6,541
Widening Angell Street	224,402
2021 Local Street resurfacing	117,400
Well #3 pump and motor overhaul	23,381

Long-term debt activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Governmental Activities</b>				
2017 Capital Improvement Refunding Bonds	\$ 400,000	\$ -	\$ 45,000	\$ 355,000
Capital Lease - copier	3,921	-	1,179	2,742
Compensated absences	39,613	10,807	-	50,420
<b>Total governmental activities</b>	<b>\$ 443,534</b>	<b>\$ 10,807</b>	<b>\$ 46,179</b>	<b>\$ 408,162</b>
<b>Businesses-type Activities</b>				
Compensated absences	\$ 8,547	\$ 101	\$ -	\$ 8,648

# Village of Schoolcraft

## Management's Discussion and Analysis

For the year ended February 28, 2021

### Economic Factors and Next Year's Budgets and Rates

The Village's General Fund fund balance is healthy, but in recent years it has been decreasing. While revenues had been increasing slowly over the years, expenditures had been increasing more quickly. The Village Council and management were aware of this. While the Village Council and management have little control over revenues, they have been working to understand what has been causing the more rapid increase in expenditures. In the year ended February 28, 2021, the Council and management implemented changes that resulted in an increase in the General Fund fund balance of \$64,938. These changes allowed the Village to maintain the health of the General Fund while continuing to provide a high level of service to the Village residents.

Water and Ready-To-Serve rates are adjusted as needed to comply with the Asset Management Plan as required by the State of Michigan. In order to upgrade and install required water infrastructure and ensure water quality, management analyzed the ready-to-serve rates and proposed an increase, which was approved by the Village Council.

In response to the COVID-19 pandemic, the Village's management sought and received several Federal grants during the fiscal year as follows.

- (1) the First Responder Hazard Pay Premiums Program (FRHPPP) for \$5,000,
- (2) the Coronavirus Emergency Supplemental Funding (CESF) grant for \$1,878,
- (3) the Coronavirus Relief Local Government Grants Program (CRLGG) for \$6,168,
- (4) and the Public Safety and Public Health Payroll Reimbursement Program grant (PSPHPR) for \$20,982.

The Village management will seek other Federal and State grants to respond to the pandemic as they become available.

Funds are set aside through the Equipment Rental Fund so that the Village is prepared to purchase capital items, such as heavy equipment and vehicles, and to provide for the repair and maintenance of those items. The cash balance available in the Equipment Fund at year end was \$221,582.

Subsequent to the fiscal year end, the Schoolcraft Police Department purchased a new Police cruiser costing approximately \$38,700.

Management expects that the Village will continue to struggle to provide adequate services and infrastructure unless and until the State of Michigan re-prioritizes its funding to the local level to allow municipalities to adequately provide and pay for essential services such as police, fire and roads.

### Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, please feel free to contact the Village Manager's Office at the Village of Schoolcraft, 442 North Grand Street, Schoolcraft, Michigan, 49087. The Village's phone number is (269) 679-4304.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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# Village of Schoolcraft

## Statement of Net Position

February 28, 2021

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,913,428	\$ 344,646	\$ 2,258,074
Receivables, net	66,439	78,027	144,466
Intergovernmental receivable	65,913	-	65,913
Due from other funds	-	-	-
Interfund balances	12,102	(12,102)	-
Prepays	17,739	484	18,223
Land	130,000	-	130,000
Capital assets, net of accumulated depreciation	1,659,638	1,322,599	2,982,237
<b>Total assets</b>	<b>\$ 3,865,259</b>	<b>\$ 1,733,654</b>	<b>\$ 5,598,913</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 9,278	\$ 1,214	\$ 10,492
Accrued liabilities	32,492	2,322	34,814
Unearned revenue	-	8,000	8,000
Unavailable revenue	26,908	-	26,908
Noncurrent liabilities:			
Due within one year	51,303	-	51,303
Due in more than one year	306,439	-	306,439
Compensated absences	50,420	8,648	59,068
<b>Total liabilities</b>	<b>476,840</b>	<b>20,184</b>	<b>497,024</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,789,638	1,322,599	3,112,237
Restricted for:			
Streets	538,332	-	538,332
Library	310,865	-	310,865
Community development	57,573	-	57,573
Unrestricted	692,011	390,871	1,082,882
<b>Total net position</b>	<b>3,388,419</b>	<b>1,713,470</b>	<b>5,101,889</b>
<b>Total liabilities and net position</b>	<b>\$ 3,865,259</b>	<b>\$ 1,733,654</b>	<b>\$ 5,598,913</b>

The Notes to Financial Statements are an integral part of this statement.

# Village of Schoolcraft

## Statement of Activities

For the year ended February 28, 2021

	Program Revenues					Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs:</b>							
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 257,346	\$ -	\$ 2,395	\$ -	\$ (254,951)	\$ -	\$ (254,951)
Public safety	418,488	8,345	50,347	-	(359,796)	-	(359,796)
Public works	262,932	1,824	257,061	144,205	140,158	-	140,158
Community and economic development	41,187	-	-	-	(41,187)	-	(41,187)
Recreation and culture	189,312	4,108	24,910	-	(160,294)	-	(160,294)
Interest on long-term debt	9,773	-	-	-	(9,773)	-	(9,773)
Total governmental activities	1,179,038	14,277	334,713	144,205	(685,843)	-	(685,843)
Business-type activities:							
Water	224,938	305,921	-	-	-	80,983	80,983
Total primary government	\$ 1,403,976	\$ 320,198	\$ 334,713	\$ 144,205	\$ (685,843)	\$ 80,983	\$ (504,860)
General revenues:							
Property taxes					861,107	-	861,107
State shared revenue					154,810	-	154,810
Franchise fees					10,716	-	10,716
Unrestricted investment income					5,111	576	5,687
Intergovernmental					14,609	-	14,609
Miscellaneous					422	5,250	5,672
Total general revenues and transfers					1,046,775	5,826	1,052,601
Change in net position					360,932	86,809	447,741
Net position-beginning					3,027,487	1,626,661	4,654,148
Net position-ending					\$ 3,388,419	\$ 1,713,470	\$ 5,101,889

The Notes to Financial Statements are an integral part of this statement.

# Village of Schoolcraft

## Governmental Funds

### Balance Sheet

February 28, 2021

	General	Major Street	Library	Nonmajor Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 857,698	\$ 442,387	\$ 267,412	\$ 124,349	\$ 1,691,846
Receivables, net	19,028	-	45,305	2,106	66,439
Intergovernmental receivable	26,908	29,674	-	9,331	65,913
Due from other funds	16,422	-	295	1,470	18,187
Prepays	16,679	530	-	530	17,739
<b>Total assets</b>	<b>\$ 936,735</b>	<b>\$ 472,591</b>	<b>\$ 313,012</b>	<b>\$ 137,786</b>	<b>\$ 1,860,124</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 3,899	\$ 1,891	\$ -	\$ 3,044	\$ 8,834
Accrued liabilities	16,007	1,650	2,147	1,037	20,841
Due to other funds	295	3,126	-	2,664	6,085
Performance bonds payable	8,750	-	-	-	8,750
<b>Total liabilities</b>	<b>28,951</b>	<b>6,667</b>	<b>2,147</b>	<b>6,745</b>	<b>44,510</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-state revenue	26,908	-	-	-	26,908
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid items	16,679	530	-	530	17,739
Restricted for:					
Streets	-	465,394	-	72,938	538,332
Library	-	-	310,865	-	310,865
Community development	-	-	-	57,573	57,573
Unassigned	864,197	-	-	-	864,197
<b>Total fund balances</b>	<b>880,876</b>	<b>465,924</b>	<b>310,865</b>	<b>131,041</b>	<b>1,788,706</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 936,735</b>	<b>\$ 472,591</b>	<b>\$ 313,012</b>	<b>\$ 137,786</b>	<b>\$ 1,860,124</b>

The Notes to Financial Statements are an integral part of this statement.



# Village of Schoolcraft

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

February 28, 2021

Total fund balances - governmental funds	\$	1,788,705
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,714,698
Internal service funds are used by management to charge the costs of equipment rental activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		296,078
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Balances at February 28, 2021 were:		
Long-term debt		(357,742)
Accrued interest		(2,900)
Compensated absences		(50,420)
Net position of governmental activities	\$	3,388,419

The Notes to Financial Statements are an integral part of this statement.

# Village of Schoolcraft

## Governmental Funds

### Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 28, 2021

	General	Major Street	Library	Nonmajor Funds	Total
<b>REVENUES</b>					
Taxes	\$ 653,238	\$ -	\$ 181,125	\$ 26,742	\$ 861,105
Licenses and permits	17,882	-	-	-	17,882
State grants	169,419	307,285	6,719	51,279	534,702
Federal grants	39,854	-	-	-	39,854
Contributions from local units	-	-	6,561	-	6,561
Charges for services	13,496	-	888	-	14,384
Fines and forfeits	-	-	64	-	64
Interest and rents	2,711	704	1,203	63	4,681
Other revenue	2,544	-	15,058	-	17,602
<b>Total revenues</b>	<b>899,144</b>	<b>307,989</b>	<b>211,618</b>	<b>78,084</b>	<b>1,496,835</b>
<b>EXPENDITURES</b>					
Current:					
General government	222,639	-	-	-	222,639
Public safety	409,392	-	-	-	409,392
Public works	109,139	265,258	-	136,630	511,027
Community and economic development	17,429	-	-	23,042	40,471
Recreation and culture	20,807	-	150,607	-	171,414
Debt service	54,800	-	1,701	-	56,501
<b>Total expenditures</b>	<b>834,206</b>	<b>265,258</b>	<b>152,308</b>	<b>159,672</b>	<b>1,411,444</b>
Excess (deficiency) of revenues over expenditures	64,938	42,731	59,310	(81,588)	85,391
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	75,000	75,000
Transfers out	-	(75,000)	-	-	(75,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(75,000)</b>	<b>-</b>	<b>75,000</b>	<b>-</b>
Net change in fund balances	64,938	(32,269)	59,310	(6,588)	85,391
Fund balances-beginning	815,938	498,193	251,555	137,629	1,703,315
<b>Fund balances-ending</b>	<b>\$ 880,876</b>	<b>\$ 465,924</b>	<b>\$ 310,865</b>	<b>\$ 131,041</b>	<b>\$ 1,788,706</b>

The Notes to Financial Statements are an integral part of this statement.

# Village of Schoolcraft

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended February 28, 2021

Net change in fund balances - total governmental funds	\$	85,390
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Add--Capital outlay		341,725
Deduct--Depreciation expense		(113,889)
(Increase) decrease in compensated absences		(10,807)
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		46,179
Some expense reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Accrued interest		366
An internal service fund is used by management to charge the cost of equipment and vehicles to individual funds. The net revenue of internal service funds is reported with governmental activities.		11,968
Change in net position of governmental activities	\$	360,932

The Notes to Financial Statements are an integral part of this statement.

# Village of Schoolcraft

## Proprietary Funds

### Statement of Net Position

February 28, 2021

	Water Fund	Governmental activities - Internal Service Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 344,646	\$ 221,582
Accounts receivable	78,027	-
Prepaid items	484	-
Total current assets	423,157	221,582
Noncurrent assets:		
Capital assets, net of accumulated depreciation	1,322,599	74,940
Total assets	\$ 1,745,756	\$ 296,522
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 1,214	\$ 444
Accrued liabilities	2,322	-
Unearned revenue	8,000	-
Due to other funds	12,102	-
Total current liabilities	23,638	444
Noncurrent liabilities:		
Compensated absences payable	8,648	-
Total liabilities	32,286	444
<b>NET POSITION</b>		
Net investment in capital assets	1,322,599	74,940
Unrestricted	390,871	221,138
Total net position	1,713,470	296,078
Total liabilities and net position	\$ 1,745,756	\$ 296,522

The Notes to Financial Statements are an integral part of this statement.

# Village of Schoolcraft

## Proprietary Funds

### Statement of Revenues, Expenses and Changes in Net Position

For the year ended February 28, 2021

	Water Fund	Governmental activities - Internal Service Fund
Operating revenues:		
Charges for services	\$ 297,696	\$ 42,702
Fees	8,225	-
Total operating revenues	305,921	42,702
Operating expenses:		
Salaries	62,478	-
Payroll taxes	4,754	-
Employee benefits	14,829	-
Supplies	9,827	3,566
Contractual services	23,239	-
Utilities	11,279	-
Repairs	15,678	9,467
Rent	5,226	-
Depreciation	72,905	18,134
Other	4,723	-
Total operating expenses	224,938	31,167
Operating income (loss)	80,983	11,535
Nonoperating revenues (expenses):		
Interest	576	433
Miscellaneous	5,250	-
Total nonoperating revenues (expenses)	5,826	433
Change in net position	86,809	11,968
Net position-beginning	1,626,661	284,110
Net position-ending	\$ 1,713,470	\$ 296,078

The Notes to Financial Statements are an integral part of this statement.

# Village of Schoolcraft

## Proprietary Funds

### Statement of Cash Flows

For the year ended February 28, 2021

	Water Fund	Governmental activities - Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 304,395	\$ 42,702
Payments to suppliers	(72,406)	(12,836)
Payments to employees	(67,232)	-
Net cash provided by (used for) operating activities	164,757	29,866
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(23,381)	-
Other receipts (payments)	5,250	-
Net cash provided by (used for) capital and related financing activities	(18,131)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	576	433
Net increase (decrease) in cash and cash equivalents	147,202	30,299
Cash and cash equivalents - beginning of year	197,444	191,283
Cash and cash equivalents - end of year	\$ 344,646	\$ 221,582
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	\$ 80,983	\$ 11,535
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	72,905	18,134
(Increase) decrease in accounts receivable	(9,526)	-
(Increase) decrease in prepaid items	1,418	-
Increase (decrease) in accounts payable	(250)	197
Increase (decrease) in accrued liabilities	(976)	-
Increase (decrease) in deferred revenue	8,000	-
Increase (decrease) in compensation absences	101	-
Increase (decrease) in due to other funds	12,102	-
Net cash provided by operating activities	\$ 164,757	\$ 29,866

The Notes to Financial Statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

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# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2021

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

The accounting policies of the Village of Schoolcraft conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Schoolcraft.

#### **A. Reporting Entity**

The Village of Schoolcraft is governed by an elected seven-member Council. The Village operates under a President-Council form of government and provides the following services: public safety, public works, culture and recreation, and general administration services. In addition, the Village operates a water system.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," these financial statements present the Village (the primary government). The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

There are no other units that should be included in the financial statements.

#### **B. 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 primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2021

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### C. 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, as are the proprietary fund financial statements. 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, 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. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund is used to account for the maintenance and construction of the Village's street system. This fund accounts for revenues provided by the Michigan Transportation Fund (MTF) Distribution, known as Public Act 51 of 1951.

The Downtown Development Authority Fund accounts for property taxes captured and spent to encourage the economic development of the Downtown District of the Village.

The Library Fund accounts for the property taxes and other revenues and costs of maintaining the library.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the water distribution system.

Additionally, the government reports the following fund type:

The Internal Service Fund accounts for major machinery and equipment purchases and maintenance provided to other departments of the government on a cost reimbursement basis.

# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2021

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As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as needed.

### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

#### Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

#### Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on September 15, at which time penalties and interest are assessed and collected by Schoolcraft Township.

# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2021

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### Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Property, plant, equipment, and infrastructure are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings, additions, and improvements	15 to 50 years
Water lines	50 to 75 years
Roads	20 years
Sidewalks	20 years
Vehicles	3 to 5 years
Furniture	8 years
Books	5 Years

# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2021

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### Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government did not have any items qualifying for this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Village has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from state revenue sharing. This amount is deferred and recognized as inflow of resources in the period that the amounts become available.

### Compensated Absences (Vacation and Sick Leave)

It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All unused vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements.

### Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2021

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### Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### Other Financing Sources (Uses)

Transfers of cash between the various Village funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

### Net Position and Fund Balances

The difference between fund assets and liabilities is "Net Position" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balances" on governmental fund statements. Net Position are classified as "Net investment in capital assets," legally "Restricted" for a specific purpose, or "Unrestricted" and available for appropriation for the general purposes of the fund. In governmental fund financial statements, fund balances are classified as follows:

- Nonspendable—Amounts that cannot be spent either because they are (a) not in spendable form; or (b) legally or contractually required to be maintained intact.
- Restricted—Amounts with constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or; (b) imposed by law through constitutional provisions or enabling legislation.
- Committed—Amounts that can be used only for specific purposes determined by a formal action by Village Council ordinance or resolution, and that remain binding unless removed in the same manner.
- Assigned—Amounts neither restricted nor committed for which a government has a stated intended use as established by the Village Council or a body or official to which the Village Council has delegated the authority to assign amounts for specific purposes.
- Unassigned—Amounts that cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

### Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Village's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Village's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2021

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### E. Revenues and Expenditures/Expenses

#### Program Revenues

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.

#### Property Taxes

The Village of Schoolcraft's property tax is levied on each July 1 on the taxable valuation of property as of the preceding December 31. It is the Village's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing operations. Taxes are considered delinquent on September 15, at which time penalties and interest are assessed.

#### Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for sales and services. The water fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2021

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

The Village is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to year end, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. Public hearings are held to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to March 1.

The budget document presents information by fund, function, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Village Manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Village Council.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

#### Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Village of Schoolcraft incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund and Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
Major Streets Fund			
Public works	\$ 137,123	\$ 265,258	\$ 128,135

# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2021

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency repurchase agreements; bankers' acceptance of United States Banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

At year end, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	<b>Cash and Cash Equivalents</b>
Governmental activities	\$ 1,913,428
Business-type activities	344,646
<b>Total primary government</b>	<b>\$ 2,258,074</b>

The breakdown between deposits and investments is as follows:

	<b>Primary Government</b>
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 2,257,718
Petty cash and cash on hand	356
<b>Total</b>	<b>\$ 2,258,074</b>

#### Custodial Credit Risk-Deposits

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Village's deposits may not be recovered. The bank balance of the Village's deposits is \$2,279,471, of which \$1,402,227 is covered by federal depository insurance. The remaining \$877,244 is uninsured and uncollateralized. The Village does not have a policy for custodial risk.

#### Fair Value Hierarchy

The Village has no investments that fall under the Fair Value Measurement Standards.



# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2021

### **NOTE 4 - CAPITAL ASSETS**

Capital asset activity of the primary government, for the year ended February 28, 2021, was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 130,000	\$ -	\$ -	\$ 130,000
Construction in progress	6,620	-	6,620	-
Capital assets, being depreciated:				
Buildings, additions and improvements	1,487,917	-	-	1,487,917
Machinery and equipment	352,389	-	33,204	319,185
Furniture	148,283	-	-	148,283
Vehicles	275,888	-	-	275,888
Books	46,548	6,541	9,514	43,575
Infrastructure	877,059	341,804	-	1,218,863
<b>Total capital assets, being depreciated</b>	<b>3,188,084</b>	<b>348,345</b>	<b>42,718</b>	<b>3,493,711</b>
Less accumulated depreciation for:				
Buildings, additions and improvements	628,322	34,303	-	662,625
Machinery and equipment	229,233	19,772	33,204	215,801
Furniture	148,281	-	-	148,281
Vehicles	237,431	12,398	-	249,829
Books	32,490	5,306	9,514	28,282
Infrastructure	469,011	60,244	-	529,255
<b>Total accumulated depreciation</b>	<b>1,744,768</b>	<b>132,023</b>	<b>42,718</b>	<b>1,834,073</b>
<b>Total capital assets being depreciated, net</b>	<b>1,443,316</b>	<b>216,322</b>	<b>-</b>	<b>1,659,638</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 1,579,936</b>	<b>\$ 216,322</b>	<b>\$ 6,620</b>	<b>\$ 1,789,638</b>

Depreciation expense was charged to the functions/programs of the governmental activities as follows:

<b>Governmental Activities:</b>	
General government	\$ 23,898
Public safety	9,097
Public works	74,056
Community and economic development	716
Recreation	24,256
<b>Total governmental activities</b>	<b>\$ 132,023</b>

# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2021

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets, being depreciated:				
Buildings and additions	\$ 1,138,648	\$ -	\$ -	\$ 1,138,648
Machinery and equipment	20,049	-	10,699	9,350
Water system	1,838,164	23,381	-	1,861,545
Total capital assets being depreciated, net	2,996,861	23,381	10,699	3,009,543
Less accumulated depreciation for:				
Buildings and additions	645,613	23,033	-	668,646
Machinery and equipment	19,460	98	10,699	8,859
Water system	959,665	49,774	-	1,009,439
Total accumulated depreciation	1,624,738	72,905	10,699	1,686,944
Total capital assets being depreciated, net	1,372,123	(49,524)	-	1,322,599
Business-type activities capital assets, net	\$ 1,372,123	\$ (49,524)	\$ -	\$ 1,322,599

Depreciation expense was charged to the functions/programs of the proprietary activities as follows:

### Business-type Activities:

Water	\$ 72,905
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## NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of February 28, 2021 is as follows:

### Due to/from other funds:

<b>Payable Funds:</b>	<b>Receivable Funds:</b>			
	<b>General</b>	<b>Local Street</b>	<b>Library</b>	<b>Total</b>
General	\$ -	\$ -	\$ 295	\$ 295
Major Street	1,656	1,470	-	3,126
Local Street	1,239	-	-	1,239
DDA	1,425	-	-	1,425
Water	12,102	-	-	12,102
Total	\$ 16,422	\$ 1,470	\$ 295	\$ 18,187

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2021

### **NOTE 6 - INTERFUND TRANSFERS**

The composition of interfund transfers for the year ended February 28, 2021 is as follows:

**Interfund Transfers:**

<b><u>Transfers In Fund:</u></b>		<b><u>Transfers Out Fund:</u></b>	
		<b><u>Major Street</u></b>	
<b><u>Local Street</u></b>	<b><u>\$</u></b>	<b><u>75,000</u></b>	

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### **NOTE 7 - LONG-TERM DEBT**

Long-term obligation activity, for the year ended February 28, 2021, can be summarized as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
<b>Governmental Activities</b>					
<b>Bonds and notes payable:</b>					
General obligation bonds	\$ 400,000	\$ -	\$ 45,000	\$ 355,000	\$ 50,000
Capital lease, Library copier	3,921	-	1,179	2,742	1,303
<b>Total bonds and notes payable</b>	<b>403,921</b>	<b>-</b>	<b>46,179</b>	<b>357,742</b>	<b>51,303</b>
<b>Other liabilities:</b>					
Compensated absences	39,613	10,807	-	50,420	-
<b>Total governmental activities</b>	<b>\$ 443,534</b>	<b>\$ 10,807</b>	<b>\$ 46,179</b>	<b>\$ 408,162</b>	<b>\$ 51,303</b>
<b>Business-type Activities</b>					
<b>Other liabilities:</b>					
Compensated absences	\$ 8,547	\$ 101	\$ -	\$ 8,648	\$ -

# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2021

### General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

#### Governmental activities:

\$525,000 Capital Improvement Refunding Bonds (LTGO) dated March 28, 2017, payable in annual installments of \$35,000 to \$55,000 through November 2027 with interest of 2.45%.

\$ 355,000

Annual debt service requirements to maturity for the above obligation are as follows:

February 28,	Governmental Activities	
	Principal	Interest
2022	\$ 50,000	\$ 8,698
2023	50,000	7,472
2024	50,000	6,248
2025	50,000	5,022
2026	50,000	3,798
2027 - 2028	105,000	3,920
Totals	\$ 355,000	\$ 35,158

The Village paid \$9,773 in interest expense for the year.

In March of 2017, the Village refunded the 2007 General Obligation Capital Improvement Bonds (Limited Tax), dated July 30, 2007 by issuing \$525,000 of the 2017 Capital Improvement Refunding Bonds (LTGO), dated March 28, 2017. The bond proceeds have been deposited into the Escrow Fund for the Refunded Bonds to ensure the payment of the old bonds.

### NOTE 8 - LEASES

The Village conducts a portion of its operations with leased equipment. A lease for a copier requires monthly payments of \$127 per month through February 2023. The copier held under a lease is included in the statement of net position with a cost of \$5,955 and accumulated depreciation of \$3,573 as of February 28, 2021. Total expense under this obligation was \$1,518 for the year ended February 28, 2021.

The following is a schedule of annual future minimum lease payments required under the lease, which had an initial or remaining non-cancelable lease term in excess of one year as of February 28, 2021:

Year Ending	Principal	Interest	Total
2022	\$ 1,303	\$ 216	\$ 1,519
2023	1,439	79	1,518
Total minimum payments due	\$ 2,742	\$ 295	\$ 3,037

# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2021

### **NOTE 9 - RECEIVABLES**

In the governmental funds balance sheet, amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. The detail for this line item (Receivables, net) is as follows:

Receivables, net	General	DDA	Library	Total
Accounts	\$ 471	\$ -	\$ 1,928	\$ 2,399
Taxes	17,928	2,106	43,377	63,411
Interest receivable	629	-	-	629
Net receivables	\$ 19,028	\$ 2,106	\$ 45,305	\$ 66,439

### **NOTE 10 - RISK MANAGEMENT**

The Village of Schoolcraft is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village of Schoolcraft obtains commercial insurance coverage for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### **NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

The Village provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The plan permits employees to defer a portion of their current compensation until the employee terminates employment. The plan is administered by third-party trustees. Plan provisions and contribution requirements are established and may be amended by the Village Council. The contribution by the Village is 3% of each employee's and 10% of manager's gross earnings. No contribution is required by the employee. Total contributions for each employee (and interest allocated to the employee's account) are immediately 100% vested. The Village is not a trustee of the plan, nor is the Village responsible for investment management of plan assets.

The Village made contributions of \$16,850 for the fiscal year ended February 28, 2021.

### **NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS**

The Village has no post-employment benefit plans.

### **NOTE 13 - COMPENSATED ABSENCES**

It is the Village's policy to permit employees to accumulate earned but unused vacation and personal benefits. All vacation pay and personal time is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2021

### **NOTE 14 - JOINTLY GOVERNED ORGANIZATION**

The Village of Schoolcraft is a member of the South Kalamazoo County Fire Authority. The Authority was established under Michigan Public Act No. 57 of 1998 to jointly provide fire protection services within the member municipalities in southern Kalamazoo County, Michigan. The Authority is comprised of the Villages of Schoolcraft and Vicksburg, and the Townships of Brady, Prairie Ronde, Schoolcraft, and Wakeshma.

In compliance with the terms in its operating agreement, the Village reimburses the Authority for its share of the services provided. The governing documents of the Authority do not explicitly convey an equity interest to its members. The Village is unaware of any indication that the Authority is accumulating significant financial resources or is experiencing fiscal stress that may cause a benefit or burden on the Village in the near future. Payments to the Authority during the year amounted to \$61,125 for its operation.

The South Kalamazoo County Fire Authority receives an annual audit of its financial statements by an independent certified public accountant. A copy of the annual audit is kept on file at the Village of Schoolcraft office, and can be reviewed upon request. Summary financial information is as follows:

At March 31, 2020		Year ended March 31, 2020	
Total Assets	\$ 1,811,152	Revenues	\$ 682,858
Total Liabilities	\$ 91,163	Expenses	466,065
Total Net Position	1,719,989	Change in Net Position	\$ 216,793
Total Liabilities and Net Position	\$ 1,811,152		

### **NOTE 15 - PROPERTY TAX ABATEMENTS**

Act 198, the Plant Rehabilitation and Industrial Development Districts Act, was adopted in the State of Michigan as a means of providing a stimulus in the form of significant tax incentives to industry for the purpose of creating new jobs and maintaining existing jobs. It allows an obsolete property, when replaced or restored, to have its assessed value frozen at the level prior to the improvement for a maximum of twelve years; and new plants to receive a fifty percent exemption from property tax on the taxable value of new real and personal properties, also for a maximum period of twelve years.

The Village Council has granted property tax abatements. The effect of the abatements is to reduce property tax revenue for the Village's General Fund by approximately \$8,740

### **NOTE 16 - SUBSEQUENT EVENTS**

Management evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation was performed through August 23, 2021, the date the financial statements were approved for issuance. There were no subsequent events that should be accounted for or require disclosure in the accompanying financial statements.

The Village's operations may be affected by the ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Village's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the Village's customers and revenue, absenteeism in the Village's labor workforce, unavailability of products and supplies used in operations, and a decline in value of assets held by the Village, including inventories, property and equipment, and marketable securities.

## Required Supplemental Information

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# Village of Schoolcraft

## General Fund

### Budgetary Comparison Schedule

For the year ended February 28, 2021

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes:				
Property	\$ 585,000	\$ 630,000	\$ 645,831	\$ 15,831
Industrial facility tax	5,000	6,780	6,778	(2)
Penalties and interest	-	-	629	(629)
Total taxes	590,000	636,780	653,238	15,200
Licenses and permits:				
Business licenses and permits	1,550	1,550	1,508	(42)
Franchise fees	11,000	13,400	10,716	(2,684)
Non-business licenses and permits	8,300	6,000	5,658	342
Total licenses and permits	20,850	20,950	17,882	(2,384)
State grants:				
State revenue sharing	160,000	180,615	154,810	(25,805)
Other state grants	23,750	14,640	14,609	(31)
Total state grants	183,750	195,255	169,419	(25,836)
Federal grants	-	-	39,854	39,854
Charges for services:				
Fees	12,000	10,730	10,809	79
Services rendered	300	2,750	2,687	(63)
Total charges for services	12,300	13,480	13,496	16
Interest and rents:				
Interest	6,000	11,800	2,711	(9,089)
Other revenue:				
Contributions and donations	-	2,400	2,395	(5)
Miscellaneous	300	300	149	(151)
Total other revenue	300	2,700	2,544	(156)
Total revenues	813,200	880,965	899,144	17,605



# Village of Schoolcraft

## General Fund

### Budgetary Comparison Schedule

For the year ended February 28, 2021

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
EXPENDITURES				
Current:				
General government:				
Village council	\$ 25,710	\$ 19,050	\$ 16,747	\$ 2,303
Manager	53,346	110,988	112,331	(1,343)
Clerk	7,905	18,995	8,184	10,811
Treasurer	56,177	62,165	58,389	3,776
Buildings and grounds	32,468	32,623	26,988	5,635
Total general government	175,606	243,821	222,639	21,182
Public safety:				
Police	354,573	346,991	342,518	4,473
Fire	62,022	62,022	61,125	897
Building inspection	7,800	7,800	5,749	2,051
Total public safety	424,395	416,813	409,392	7,421
Public works:				
Department of public works	134,647	135,650	106,527	29,123
Sanitation	2,580	2,615	2,612	3
Total public works	137,227	138,265	109,139	29,126

# Village of Schoolcraft

## General Fund

### Budgetary Comparison Schedule

For the year ended February 28, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Community and economic development:				
Planning	\$ 1,450	\$ 1,669	\$ 1,669	\$ -
Zoning	21,500	21,500	3,840	17,660
Community development	11,335	11,945	11,920	25
Total community and economic development	34,285	35,114	17,429	17,685
Recreation and culture:				
Parks and recreation department	26,941	21,571	20,807	764
Debt service				
Principal	45,000	45,000	45,000	-
Interest	9,800	9,800	9,800	-
Total debt service	54,800	54,800	54,800	-
Total expenditures	853,254	910,384	834,206	76,178
Net change in fund balance	(40,054)	(29,419)	64,938	93,783
Fund balance-beginning	815,938	815,938	815,938	-
Fund balance-ending	\$ 775,884	\$ 786,519	\$ 880,876	\$ 93,783

# Village of Schoolcraft

## Major Street Fund

### Budgetary Comparison Schedule

For the year ended February 28, 2021

	<u>Budgeted Amounts</u>			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Michigan transportation funds	\$ 169,110	\$ 169,090	\$ 163,080	\$ (6,010)
State grants	-	-	144,205	144,205
Interest	650	670	704	34
Total revenues	169,760	169,760	307,989	138,229
<b>EXPENDITURES</b>				
Current:				
Public works:				
Construction of streets	-	-	217,782	(217,782)
Preservation of streets	164,878	95,383	16,753	78,630
Traffic services	31,823	29,893	20,622	9,271
Winter maintenance	13,549	10,819	9,228	1,591
Administration and engineering	6,018	1,028	873	155
Total expenditures	216,268	137,123	265,258	(128,135)
Excess (deficiency) of revenues over expenditures	(46,508)	32,637	42,731	10,094
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	(75,000)	(75,000)
Net change in fund balance	(46,508)	32,637	(32,269)	(64,906)
Fund balance-beginning	498,193	498,193	498,193	-
Fund balance-ending	\$ 451,685	\$ 530,830	\$ 465,924	\$ (64,906)

# Village of Schoolcraft

## Library Fund

### Budgetary Comparison Schedule

For the year ended February 28, 2021

	<u>Budgeted Amounts</u>			
	<u>Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>2020</u>
<b>REVENUES</b>				
Taxes	\$ 172,516	\$ 181,125	\$ 8,609	\$ 167,439
State grants	4,400	6,719	2,319	6,441
Contributions from local units	7,000	6,561	(439)	7,979
Charges for services	2,900	888	(2,012)	2,627
Fines and forfeits	1,300	64	(1,236)	992
Interest and rents	950	1,203	253	1,119
Other revenue	14,400	15,058	658	18,535
<b>Total revenues</b>	<b>203,466</b>	<b>211,618</b>	<b>8,152</b>	<b>205,132</b>
<b>EXPENDITURES</b>				
Current:				
Library	198,475	150,607	47,868	181,561
Debt service:				
Principal	1,362	1,362	-	1,156
Interest	339	339	-	451
<b>Total expenditures</b>	<b>200,176</b>	<b>152,308</b>	<b>47,868</b>	<b>183,168</b>
Net change in fund balances	3,290	59,310	56,020	21,964
Fund balances-beginning	251,555	251,555	-	229,591
Fund balances-ending	\$ 254,845	\$ 310,865	\$ 56,020	\$ 251,555

## Other Supplemental Information

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# Village of Schoolcraft

## Nonmajor Governmental Funds

### Combining Balance Sheet

February 28, 2021

	Special Revenue		
	Local Street	Downtown Development Authority	Total
<b>ASSETS</b>			
Cash	\$ 64,036	\$ 60,313	\$ 124,349
Receivables, net	-	2,106	2,106
Intergovernmental receivable	9,331	-	9,331
Due from other funds	1,470	-	1,470
Prepays	530	-	530
<b>Total assets</b>	<b>75,367</b>	<b>62,419</b>	<b>137,786</b>
<b>LIABILITIES</b>			
Accounts payable	30	3,014	3,044
Accrued liabilities	630	407	1,037
Due to other funds	1,239	1,425	2,664
<b>Total liabilities</b>	<b>1,899</b>	<b>4,846</b>	<b>6,745</b>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid items	530		530
Restricted:			
Streets	72,938	-	72,938
Community and economic development	-	57,573	57,573
Unassigned	-	-	-
<b>Total fund balances</b>	<b>73,468</b>	<b>57,573</b>	<b>131,041</b>
<b>Total liabilities and fund balances</b>	<b>\$ 75,367</b>	<b>\$ 62,419</b>	<b>\$ 137,786</b>

# Village of Schoolcraft

## Nonmajor Governmental Funds

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 28, 2021

	Special Revenue		
	Local Street	Downtown Development Authority	Total
<b>REVENUES</b>			
Taxes	\$ -	\$ 26,742	\$ 26,742
State grants	51,279	-	51,279
Interest and rents	37	26	63
Total revenues	51,316	26,768	78,084
<b>EXPENDITURES</b>			
Public works	136,630	-	136,630
Community and economic development	-	23,042	23,042
Total expenditures	136,630	23,042	159,672
Excess (deficiency) of revenues over expenditures	(85,314)	3,726	(81,588)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	75,000	-	75,000
Net change in fund balances	(10,314)	3,726	(6,588)
Fund balances-beginning	83,782	53,847	137,629
Fund balances-ending	\$ 73,468	\$ 57,573	\$ 131,041

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## AUDITORS' REPORTS

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**DOUGLAS WOHLBERG, CPA**

Certified Public Accountants

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Byron Center, MI 49315

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August 23, 2021

To the Village Council  
Village of Schoolcraft

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Schoolcraft for the year ended February 28, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 23, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Schoolcraft are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Village of Schoolcraft during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Village's financial statements was:

Management's estimate of the lives of capital assets is based on management's experience and estimates. We evaluated the key factors and assumptions used to develop the lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

The following material misstatements detected as a result of audit procedures were corrected by management:

\$16,422 in the General Fund to adjust the allocation of health insurance to other funds.

\$144,205 in the Major Streets Fund to record the State's share of the Angell Street Construction.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 23, 2021.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village of Schoolcraft's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We noted that internal controls for water utility billings need additional oversight. Management has implemented a process that provides that oversight. It is important to note that the administrative staff provides good internal controls and produces quality work. It should also be noted that the workload for office staff is very labor intensive; separation of duties and internal controls would be improved through the addition of office staff.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Village Council and management of the Village of Schoolcraft and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Douglas Wohlberg, CPA  
Byron Center, Michigan  
August 23, 2021

# Village of Schoolcraft

## Schedule of Findings and Responses

February 28, 2021

### NONCOMPLIANCE WITH STATE STATUTES

Finding 2021-01

Expenditures in Excess of Appropriations

*Condition:* The Village's General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level by the Village. As detailed below, actual expenditures exceeded the Village Council's approved budget allocations for several general fund and special revenue fund activities.

During the fiscal year, expenditures were incurred in excess of amounts appropriated follows:

<u>Fund and Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
Major Streets Fund			
Public works	\$ 137,123	\$ 265,258	\$ 128,135
Transfers out	-	75,000	75,000

*Criteria:* The expenditure of funds in excess of appropriations is contrary to the provisions of Section 17 of Public Act 2 of 1968.

*Effect:* The Village is in noncompliance with State statute. Unavailable funds continued to be spent despite the lack of budgeted funds to support the expenses.

*Recommendation:* We recommend that the Village develop budgetary control procedures which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

*Management's Response-Corrective Action Plan:* The Village will more frequently review available funds and amend the budgets.