

# **Village of Schoolcraft**

---

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

**Year Ended February 28, 2022**

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

# Village of Schoolcraft

## Table of Contents

February 28, 2022

Independent Auditor's Report	1
Management's Discussion and Analysis	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds	
Balance Sheet	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds	
Statement of Net Position	17
Statement of Revenues, Expenses and Changes in Net Position	18
Statement of Cash Flows	19
<b>NOTES TO FINANCIAL STATEMENTS</b>	21
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Budgetary Comparison Schedules	
General Fund	37
Major Street Fund	40
Library Fund	41
<b>OTHER SUPPLEMENTAL INFORMATION</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	44

## INDEPENDENT AUDITOR'S REPORT

To the Village Council  
Village of Schoolcraft

### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Schoolcraft, as of and for the year ended February 28, 2022, and the related notes to the financial statements, which collectively comprise Village of Schoolcraft basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Schoolcraft, as of February 28, 2022, 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.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village of Schoolcraft, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Village of Schoolcraft'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 Village of Schoolcraft's ability to continue as a going concern for a reasonable period of time.

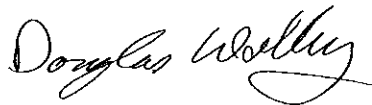
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**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 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 Village of Schoolcraft's basic financial statements. The combining nonmajor 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 combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Douglas Wohlberg, CPA  
Byron Center, Michigan  
August 24, 2022

# Village of Schoolcraft

## Management's Discussion and Analysis

For the year ended February 28, 2022

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business. There are two government-wide statements: the statement of net position and the statement of activities.

The statement of net position presents information on all of the Village's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between them presented as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., arbitrage rebate owed but not due until a future year and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the Village include water operations.

The government-wide financial statements include only Village of Schoolcraft.

### Fund Financial Statements

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

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

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

# Village of Schoolcraft

## Management's Discussion and Analysis

For the year ended February 28, 2022

---

### Government-wide Financial Statements

The Village maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Streets Fund, and the Library Fund, all of which are considered to be major funds.

The Village adopts annual legally appropriated budgets for all of its Governmental Funds. A budgetary comparison statement has been provided for the General Fund, Major Streets Fund, and the Library Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 13 - 16 of this report.

The Village maintains one proprietary fund, the Water Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses its enterprise fund to account for its utility operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 17 - 19 of this report.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.

# Village of Schoolcraft

## Management's Discussion and Analysis

For the year ended February 28, 2022

### The Village as a Whole

The Village's combined net position increased by \$325,635 from a year ago, from \$5,094,185 to \$5,419,820.

Unrestricted net position for the governmental activities, the part of governmental net position that can be used to finance day to day operations, increased by \$384,610 to \$1,068,917. This represents an increase of approximately 56%. Unrestricted net position for our governmental activities is about 87% 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Assets:</b>						
Current assets	\$ 2,292,836	\$ 2,075,621	\$ 565,013	\$ 411,055	\$ 2,857,849	\$ 2,486,676
Noncurrent assets	1,778,919	1,789,638	1,280,681	1,322,599	3,059,600	3,112,237
<b>Total assets</b>	<b>4,071,755</b>	<b>3,865,259</b>	<b>1,845,694</b>	<b>1,733,654</b>	<b>5,917,449</b>	<b>5,598,913</b>
<b>Liabilities:</b>						
Long-term debt outstanding	349,573	415,866	9,398	8,648	358,971	424,514
Other liabilities	130,418	68,678	8,240	11,536	138,658	80,214
<b>Total liabilities</b>	<b>479,991</b>	<b>484,544</b>	<b>17,638</b>	<b>20,184</b>	<b>497,629</b>	<b>504,728</b>
<b>Net position:</b>						
Net investment in capital assets	1,472,480	1,789,638	1,280,681	1,322,599	2,753,161	3,112,237
Restricted	1,050,367	906,770	-	-	1,050,367	906,770
Unrestricted	1,068,917	684,307	547,375	390,871	1,616,292	1,075,178
<b>Total net position</b>	<b>\$ 3,591,764</b>	<b>\$ 3,380,715</b>	<b>\$ 1,828,056</b>	<b>\$ 1,713,470</b>	<b>\$ 5,419,820</b>	<b>\$ 5,094,185</b>



# Village of Schoolcraft

## Management's Discussion and Analysis

For the year ended February 28, 2022

The following table shows the changes of net position as of February 28, 2022.

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Program revenues</b>						
Charges for services	\$ 15,383	\$ 14,277	\$ 326,687	\$ 305,921	\$ 342,070	\$ 320,198
Operating grants	339,657	334,713	-	-	339,657	334,713
Capital grants	-	144,205	-	-	-	144,205
<b>General revenues</b>						
Property taxes	878,319	861,107	-	-	878,319	861,107
State-shared revenues	180,858	154,810	-	-	180,858	154,810
Franchise fees	10,575	10,716	-	-	10,575	10,716
Unrestricted investment income	4,621	5,111	908	576	5,529	5,687
Intergovernmental	3,934	14,609	-	-	3,934	14,609
Miscellaneous	9,867	422	600	5,250	10,467	5,672
Capital Contributions	-	-	15,000	-	15,000	-
<b>Total revenues</b>	<b>1,443,214</b>	<b>1,539,970</b>	<b>343,195</b>	<b>311,747</b>	<b>1,786,409</b>	<b>1,851,717</b>
<b>Expenses</b>						
General government	249,548	257,346	-	-	249,548	257,346
Public safety	420,546	418,488	-	-	420,546	418,488
Public works	271,053	262,932	-	-	271,053	262,932
Community and economic development	48,800	41,187	-	-	48,800	41,187
Recreation and culture	233,422	189,312	-	-	233,422	189,312
Interest on long-term debt	8,796	9,773	-	-	8,796	9,773
Water Fund	-	-	228,609	224,938	228,609	224,938
<b>Total expenses</b>	<b>1,232,165</b>	<b>1,179,038</b>	<b>228,609</b>	<b>224,938</b>	<b>1,460,774</b>	<b>1,403,976</b>
<b>Change in net position</b>	<b>211,049</b>	<b>360,932</b>	<b>114,586</b>	<b>86,809</b>	<b>325,635</b>	<b>447,741</b>
<b>Net position-beginning</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>
<b>Prior period adjustment</b>	<b>(7,704)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,704)</b>	<b>-</b>
<b>Net position-restated</b>	<b>3,380,715</b>	<b>3,027,487</b>	<b>1,713,470</b>	<b>1,626,661</b>	<b>5,094,185</b>	<b>4,654,148</b>
<b>Net position-ending</b>	<b>\$ 3,591,764</b>	<b>\$ 3,388,419</b>	<b>\$ 1,828,056</b>	<b>\$ 1,713,470</b>	<b>\$ 5,419,820</b>	<b>\$ 5,101,889</b>

# Village of Schoolcraft

## Management's Discussion and Analysis

For the year ended February 28, 2022

### 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 \$1,938,734, an increase of \$157,732 from the prior year. Of the \$1,938,734, \$887,165 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 \$869,517. 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 96% of total General Fund expenditures of \$904,606. The fund balance of the Village's General Fund increased by \$13,993 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 \$564,030, an increase of \$98,106 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 \$112,969, an increase of \$39,501 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 \$61,541, an increase of \$3,968 from the prior year.

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 \$313,029, a increase of \$2,164 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 \$547,375. The Water Fund had an increase in net position for the year of \$114,586.

### 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 \$6,000 to reflect changes in the allocation of the Manager's health insurance. The budget in the Clerk's department was decreased by approximately \$12,000 to reflect changes in the allocation of health insurance. The Treasurer's department budget was decreased approximately \$6,000 to reflect changes in the allocation of the Treasurer's health insurance. The Police Department budget was decreased approximately \$11,000 to reflect lower than expected salaries. The Department of Public Works budget was decreased approximately \$23,000 to reflect lower than expected salaries and health insurance expenses.

In the Major Streets Fund, construction of streets budget was increased approximately \$42,000 to reflect the completion of the Angell Street paving. The preservation of streets budget was decreased approximately \$14,000 to reflect less work than originally anticipated.

# Village of Schoolcraft

## Management's Discussion and Analysis

For the year ended February 28, 2022

### Capital Asset and Debt Administration

At the end of 2022, the Village had \$3,059,600, 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	
	2022	2021	2022	2021	2022	2021
Land	\$ 130,000	\$ 130,000	\$ -	\$ -	\$ 130,000	\$ 130,000
Land improvements	28,598	-	-	-	28,598	-
Buildings and improvements	791,127	825,292	447,240	470,002	1,238,367	1,295,294
Machinery and equipment	86,391	103,384	392	491	86,783	103,875
Furniture	2	2	-	-	2	2
Vehicles	54,073	26,059	-	-	54,073	26,059
Books	19,475	15,293	-	-	19,475	15,293
Infrastructure	669,253	689,608	-	-	669,253	689,608
Water system	-	-	833,049	852,106	833,049	852,106
<b>Total capital assets</b>	<b>\$ 1,778,919</b>	<b>\$ 1,789,638</b>	<b>\$ 1,280,681</b>	<b>\$ 1,322,599</b>	<b>\$ 3,059,600</b>	<b>\$ 3,112,237</b>

Major additions this year include the following:

Library books	\$ 11,860
Widening Angell Street	41,988
DPW parking lot paving	29,998
2020 Ford Interceptor	46,185

Long-term debt activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Governmental Activities</b>				
2017 Capital Improvement Refunding Bonds	\$ 355,000	\$ -	\$ 50,000	\$ 305,000
Capital Lease - copier	2,742	-	1,303	1,439
Compensated absences	50,420	-	7,286	43,134
<b>Total governmental activities</b>	<b>\$ 408,162</b>	<b>\$ -</b>	<b>\$ 58,589</b>	<b>\$ 349,573</b>
<b>Businesses-type Activities</b>				
Compensated absences	\$ 8,648	\$ 750	\$ -	\$ 9,398

# **Village of Schoolcraft**

## **Management's Discussion and Analysis**

**For the year ended February 28, 2022**

---

### **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, 2022, the Council and management implemented changes that resulted in an increase in the General Fund fund balance of \$13,993. 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.

The Village received \$81,497.23 in American Rescue Plan Act funds on the first tranche and will get the second half of these funds in fiscal year 2023. The Village also applied for the Kalamazoo County ARPA funds but have not heard back if we have been chosen to receive any or not. The Village has purchased a high-efficiency HEPA HVAC unit for their Public Works department building. A sound system for the Council chambers is also an expenditure that will be made with the ARPA funds.

Funds are set aside through an equipment rental fund so that the Village is able to purchase capital items, such as heavy equipment vehicles, and to provide for the repair and maintenance of these items.

### **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

# Village of Schoolcraft

## Statement of Net Position

February 28, 2022

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,178,284	\$ 471,603	\$ 2,649,887
Receivables, net	41,031	74,082	115,113
Intergovernmental receivable	69,671	-	69,671
Interfund balances	(15,000)	15,000	-
Prepays	18,850	4,328	23,178
Land	130,000	-	130,000
Capital assets, net of accumulated depreciation	1,648,919	1,280,681	2,929,600
<b>Total assets</b>	<b>\$ 4,071,755</b>	<b>\$ 1,845,694</b>	<b>\$ 5,917,449</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 11,412	\$ 7,890	\$ 19,302
Accrued liabilities	9,294	350	9,644
Unearned revenue	81,497	-	81,497
Unavailable revenue	28,215	-	28,215
Noncurrent liabilities:			
Due within one year	51,439	-	51,439
Due in more than one year	255,000	-	255,000
Compensated absences	43,134	9,398	52,532
<b>Total liabilities</b>	<b>479,991</b>	<b>17,638</b>	<b>497,629</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,472,480	1,280,681	2,753,161
Restricted for:			
Streets	675,797	-	675,797
Library	313,029	-	313,029
Community development	61,541	-	61,541
Unrestricted	1,068,917	547,375	1,616,292
<b>Total net position</b>	<b>3,591,764</b>	<b>1,828,056</b>	<b>5,419,820</b>
<b>Total liabilities and net position</b>	<b>\$ 4,071,755</b>	<b>\$ 1,845,694</b>	<b>\$ 5,917,449</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, 2022

	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	\$ 249,548	\$ -	\$ 2,125	\$ -	\$ (247,423)	\$ -	\$ (247,423)
Public safety	420,546	13,345	13,033	-	(394,168)	-	(394,168)
Public works	271,053	-	303,381	-	32,328	-	32,328
Community and economic development	48,800	-	-	-	(48,800)	-	(48,800)
Recreation and culture	233,422	2,038	21,118	-	(210,266)	-	(210,266)
Interest on long-term debt	8,796	-	-	-	(8,796)	-	(8,796)
Total governmental activities	1,232,165	15,383	339,657	-	(877,125)	-	(877,125)
Business-type activities:							
Water	228,609	326,687	-	-	-	98,078	98,078
Total primary government	\$ 1,460,774	\$ 342,070	\$ 339,657	-	(877,125)	98,078	(779,047)
General revenues:							
Property taxes					878,319	-	878,319
State shared revenue					180,858	-	180,858
Franchise fees					10,575	-	10,575
Unrestricted investment income					4,621	908	5,529
Capital contributions					-	15,000	15,000
Intergovernmental					3,934	-	3,934
Gain/loss on sale of capital assets					3,760	-	3,760
Miscellaneous					6,107	600	6,707
Total general revenues and transfers					1,088,174	16,508	1,104,682
Change in net position					211,049	114,586	325,635
Net position-beginning					3,388,419	1,713,470	5,101,889
Prior period adjustment					(7,704)	-	(7,704)
Net position-ending					3,380,715	1,713,470	5,094,185
Net position-ending					\$ 3,591,764	\$ 1,828,056	\$ 5,419,820

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

# Village of Schoolcraft

## Governmental Funds

### Balance Sheet

February 28, 2022

	General	Major Street	Library	Nonmajor Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 963,427	\$ 534,654	\$ 288,821	\$ 164,584	\$ 1,951,486
Receivables, net	12,580	-	27,344	1,107	41,031
Intergovernmental receivable	28,215	31,559	-	9,897	69,671
Prepays	17,648	620	-	582	18,850
<b>Total assets</b>	<b>\$ 1,021,870</b>	<b>\$ 566,833</b>	<b>\$ 316,165</b>	<b>\$ 176,170</b>	<b>\$ 2,081,038</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 6,425	\$ 2,704	\$ -	\$ 1,660	\$ 10,789
Accrued liabilities	3,568	99	3,136	-	6,803
Due to other funds	15,000	-	-	-	15,000
Unearned revenue	81,497	-	-	-	81,497
<b>Total liabilities</b>	<b>106,490</b>	<b>2,803</b>	<b>3,136</b>	<b>1,660</b>	<b>114,089</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-state revenue	28,215	-	-	-	28,215
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid items	17,648	620	-	582	18,850
Restricted for:					
Streets	-	563,410	-	112,387	675,797
Library	-	-	313,029	-	313,029
Community development	-	-	-	61,541	61,541
Unassigned	869,517	-	-	-	869,517
<b>Total fund balances</b>	<b>887,165</b>	<b>564,030</b>	<b>313,029</b>	<b>174,510</b>	<b>1,938,734</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,021,870</b>	<b>\$ 566,833</b>	<b>\$ 316,165</b>	<b>\$ 176,170</b>	<b>\$ 2,081,038</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, 2022

Total fund balances - governmental funds	\$	1,938,734
--	----	-----------

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.	1,690,736
---	-----------

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.	314,358
---	---------

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, 2022 were:	
Long-term debt	(306,439)
Accrued interest	(2,491)
Compensated absences	(43,134)

Net position of governmental activities	\$	3,591,764
---	----	-----------

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, 2022

	General	Major Street	Library	Nonmajor Funds	Total
<b>REVENUES</b>					
Taxes	\$ 675,832	\$ -	\$ 175,417	\$ 27,070	\$ 878,319
Licenses and permits	24,754	-	-	-	24,754
State grants	193,024	184,408	5,190	57,923	440,545
Contributions from local units	-	-	6,801	-	6,801
Charges for services	11,699	-	1,088	-	12,787
Fines and forfeits	-	-	99	-	99
Interest and rents	2,214	608	1,352	83	4,257
Other revenue	2,316	-	10,451	443	13,210
<b>Total revenues</b>	<b>909,839</b>	<b>185,016</b>	<b>200,398</b>	<b>85,519</b>	<b>1,380,772</b>
<b>EXPENDITURES</b>					
Current:					
General government	233,075	-	-	-	233,075
Public safety	451,860	-	-	-	451,860
Public works	113,790	86,910	-	18,919	219,619
Community and economic development	24,954	-	-	23,131	48,085
Recreation and culture	22,230	-	196,424	-	218,654
Debt service	58,697	-	1,810	-	60,507
<b>Total expenditures</b>	<b>904,606</b>	<b>86,910</b>	<b>198,234</b>	<b>42,050</b>	<b>1,231,800</b>
Excess (deficiency) of revenues over expenditures	5,233	98,106	2,164	43,469	148,972
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	3,760	-	-	-	3,760
Insurance recoveries	5,000	-	-	-	5,000
<b>Total other financing sources (uses)</b>	<b>8,760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,760</b>
Net change in fund balances	13,993	98,106	2,164	43,469	157,732
Fund balances-beginning	880,876	465,924	310,865	131,041	1,788,706
Prior period adjustment	(7,704)	-	-	-	(7,704)
<b>Fund balances-restated</b>	<b>873,172</b>	<b>465,924</b>	<b>310,865</b>	<b>131,041</b>	<b>1,781,002</b>
<b>Fund balances-ending</b>	<b>\$ 887,165</b>	<b>\$ 564,030</b>	<b>\$ 313,029</b>	<b>\$ 174,510</b>	<b>\$ 1,938,734</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, 2022

Net change in fund balances - total governmental funds	\$	157,732
--	----	---------

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	100,033
Deduct--Depreciation expense	(123,995)

(Increase) decrease in compensated absences	7,286
---	-------

Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	51,303
--	--------

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	410
------------------	-----

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.	18,280
--	--------

Change in net position of governmental activities	\$	211,049
---	----	---------

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

# Village of Schoolcraft

## Proprietary Funds

### Statement of Net Position

February 28, 2022

	Water Fund	Governmental activities - Internal Service Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 471,603	\$ 226,798
Accounts receivable	74,082	-
Due from other funds	15,000	-
Prepaid items	4,328	-
Total current assets	565,013	226,798
Noncurrent assets:		
Capital assets, net of accumulated depreciation	1,280,681	88,183
Total assets	\$ 1,845,694	\$ 314,981
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 7,890	\$ 623
Accrued liabilities	350	-
Total current liabilities	8,240	623
Noncurrent liabilities:		
Compensated absences payable	9,398	-
Total liabilities	17,638	623
<b>NET POSITION</b>		
Net investment in capital assets	1,280,681	88,183
Unrestricted	547,375	226,175
Total net position	1,828,056	314,358
Total liabilities and net position	\$ 1,845,694	\$ 314,981

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, 2022

	Water Fund	Governmental activities - Internal Service Fund
Operating revenues:		
Charges for services	\$ 318,997	\$ 53,317
Fees	7,690	-
Total operating revenues	326,687	53,317
Operating expenses:		
Salaries	68,991	-
Payroll taxes	5,733	-
Employee benefits	12,356	-
Supplies	19,510	5,059
Contractual services	11,784	-
Utilities	10,970	-
Repairs	14,049	10,499
Rent	8,102	-
Depreciation	71,938	19,843
Other	5,176	-
Total operating expenses	228,609	35,401
Operating income (loss)	98,078	17,916
Nonoperating revenues (expenses):		
Interest	908	364
Miscellaneous	600	-
Total nonoperating revenues (expenses)	1,508	364
Income (loss) before contributions	99,586	18,280
Contributed capital	15,000	-
Change in net position	114,586	18,280
Net position-beginning	1,713,470	296,078
Net position-ending	\$ 1,828,056	\$ 314,358

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, 2022

	Water Fund	Governmental activities - Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 307,631	\$ 53,317
Payments to suppliers	(92,438)	(15,379)
Payments to employees	(74,724)	-
Net cash provided by (used for) operating activities	140,469	37,938
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital contributions	15,000	-
Purchase of capital assets	(30,020)	(33,086)
Other receipts (payments)	600	-
Net cash provided by (used for) capital and related financing activities	(14,420)	(33,086)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	908	364
Net increase (decrease) in cash and cash equivalents	126,957	5,216
Cash and cash equivalents - beginning of year	344,646	221,582
Cash and cash equivalents - end of year	\$ 471,603	\$ 226,798
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	\$ 98,077	\$ 17,916
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	71,938	19,843
(Increase) decrease in accounts receivable	3,945	-
(Increase) decrease in due from other funds	(15,000)	-
(Increase) decrease in prepaid items	(3,844)	-
Increase (decrease) in accounts payable	6,677	179
Increase (decrease) in accrued liabilities	(1,972)	-
Increase (decrease) in unearned revenue	(8,000)	-
Increase (decrease) in compensation absences	750	-
Increase (decrease) in due to other funds	(12,102)	-
Net cash provided by operating activities	\$ 140,469	\$ 37,938

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

## NOTES TO FINANCIAL STATEMENTS

# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2022

### **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, 2022

---

### 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 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, 2022

---

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, 2022

---

### 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, 2022

---

### 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, 2022

---

### 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, 2022

---

### 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, 2022

### **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.

# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2022

### **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	\$ 2,178,284
Business-type activities	471,603
<b>Total</b>	<b>\$ 2,649,887</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)	\$ 2,649,531
Petty cash and cash on hand	356
<b>Total</b>	<b>\$ 2,649,887</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 \$2,684,390, of which \$1,413,582 is covered by federal depository insurance. The remaining \$1,270,808 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, 2022

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

Capital asset activity of the primary government, for the year ended February 28, 2022, 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
Capital assets, being depreciated:				
Land improvements	-	29,998	-	29,998
Buildings, additions and improvements	1,487,917	-	-	1,487,917
Machinery and equipment	336,115	3,088	-	339,203
Furniture	148,283	-	-	148,283
Vehicles	275,888	46,185	22,105	299,968
Books	43,575	11,860	8,064	47,371
Infrastructure	1,218,863	41,988	-	1,260,851
<b>Total capital assets, being depreciated</b>	<b>3,510,641</b>	<b>133,119</b>	<b>30,169</b>	<b>3,613,591</b>
Less accumulated depreciation for:				
Land improvements	-	1,400	-	1,400
Buildings, additions and improvements	662,625	34,165	-	696,790
Machinery and equipment	232,731	20,081	-	252,812
Furniture	148,281	-	-	148,281
Vehicles	249,829	18,171	22,105	245,895
Books	28,282	7,678	8,064	27,896
Infrastructure	529,255	62,343	-	591,598
<b>Total accumulated depreciation</b>	<b>1,851,003</b>	<b>143,838</b>	<b>30,169</b>	<b>1,964,672</b>
<b>Total capital assets being depreciated, net</b>	<b>1,659,638</b>	<b>(10,719)</b>	<b>-</b>	<b>1,648,919</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 1,789,638</b>	<b>\$ (10,719)</b>	<b>\$ -</b>	<b>\$ 1,778,919</b>

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

<b>Governmental Activities:</b>	
General government	\$ 23,760
Public safety	14,870
Public works	77,864
Community and economic development	716
Recreation	26,628
<b>Total governmental activities</b>	<b>\$ 143,838</b>

# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2022

<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	9,350	-	-	9,350
Water system	1,861,545	30,020	1,479	1,890,086
<b>Total capital assets being depreciated, net</b>	<b>3,009,543</b>	<b>30,020</b>	<b>1,479</b>	<b>3,038,084</b>
Less accumulated depreciation for:				
Buildings and additions	668,646	22,762	-	691,408
Machinery and equipment	8,859	99	-	8,958
Water system	1,009,439	49,077	1,479	1,057,037
<b>Total accumulated depreciation</b>	<b>1,686,944</b>	<b>71,938</b>	<b>1,479</b>	<b>1,757,403</b>
<b>Total capital assets being depreciated, net</b>	<b>1,322,599</b>	<b>(41,918)</b>	<b>-</b>	<b>1,280,681</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 1,322,599</b>	<b>\$ (41,918)</b>	<b>\$ -</b>	<b>\$ 1,280,681</b>

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

**Business-type Activities:**

Water	\$ 71,938
-------	-----------

## **NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of February 28, 2022 is as follows:

**Due to/from other funds:**

<b>Payable Fund:</b>	<b>Receivable Fund: Water</b>
General	\$ 15,000

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, 2022

### **NOTE 6 - LONG-TERM DEBT**

Long-term obligation activity, for the year ended February 28, 2022, can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and notes payable:					
General obligation bonds	\$ 355,000	\$ -	\$ 50,000	\$ 305,000	\$ 50,000
Capital lease, Library copier	2,742	-	1,303	1,439	1,439
Total bonds and notes payable	357,742	-	51,303	306,439	51,439
Other liabilities:					
Compensated absences	50,420	-	7,286	43,134	-
Total governmental activities	\$ 408,162	\$ -	\$ 58,589	\$ 349,573	\$ 51,439
Business-type Activities					
Other liabilities:					
Compensated absences	\$ 8,648	\$ 750	\$ -	\$ 9,398	\$ -

# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2022

### 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%.

\$ 305,000

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

February 28,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 50,000	\$ 7,472	\$ 57,472
2024	50,000	6,248	56,248
2025	50,000	5,022	55,022
2026	50,000	3,798	53,798
2027	50,000	2,572	52,572
2028	55,000	1,348	56,348
Totals	\$ 305,000	\$ 26,460	\$ 331,460

The Village paid \$8,914 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 7 - 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 \$4,764 as of February 28, 2022. Total expense under this obligation was \$1,519 for the year ended February 28, 2022.

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, 2022:

Year Ending	Principal	Interest	Total
2023	\$ 1,439	\$ 79	\$ 1,518

# Village of Schoolcraft

## Notes to Financial Statements

For the year ended February 28, 2022

### **NOTE 8 - 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
Taxes	\$ 12,580	\$ 1,107	\$ 27,344	\$ 41,031

### **NOTE 9 - 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 10 - 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 \$19,621 for the fiscal year ended February 28, 2022.

### **NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS**

The Village has no post-employment benefit plans.

### **NOTE 12 - 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, 2022

### **NOTE 13 - 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 \$60,938 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, 2021		Year ended March 31, 2021	
Total Assets	\$ 2,001,205	Revenues	\$ 685,752
Total Liabilities	\$ 17,250	Expenses	421,786
Total Net Position	1,983,955	Change in Net Position	\$ 263,966
Total Liabilities and Net Position	\$ 2,001,205		

### **NOTE 14 - 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 \$8,050

### **NOTE 15 - 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 24, 2022, 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.

## **Required Supplemental Information**

---

# Village of Schoolcraft

## General Fund

### Budgetary Comparison Schedule

For the year ended February 28, 2022

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 636,000	\$ 636,000	\$ 651,774	\$ 15,774
Industrial facility tax	6,800	6,800	24,058	17,258
Total taxes	642,800	642,800	675,832	33,032
Licenses and permits:				
Business licenses and permits	1,550	1,550	1,519	(31)
Franchise fees	11,000	11,000	10,575	(425)
Non-business licenses and permits	4,000	23,000	12,660	(10,340)
Total licenses and permits	16,550	35,550	24,754	(10,796)
State grants:				
State revenue sharing	155,654	155,654	180,858	25,204
Other state grants	14,700	15,600	12,166	(3,434)
Total state grants	170,354	171,254	193,024	21,770
Charges for services:				
Fees	14,000	12,800	11,014	(1,786)
Services rendered	9,280	880	685	(195)
Total charges for services	23,280	13,680	11,699	(1,981)
Interest and rents:				
Interest	15,000	5,000	2,214	(2,786)
Other revenue:				
Contributions and donations	3,500	3,200	2,125	(1,075)
Miscellaneous	100	100	191	91
Total other revenue	3,600	3,300	2,316	(984)
Total revenues	871,584	871,584	909,839	38,255



# Village of Schoolcraft

## General Fund

### Budgetary Comparison Schedule

For the year ended February 28, 2022

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
EXPENDITURES				
Current:				
General government:				
Village council	\$ 15,466	\$ 16,334	\$ 15,170	\$ 1,164
Manager	116,661	122,368	120,077	2,291
Clerk	20,150	8,487	8,255	232
Treasurer	66,217	60,546	57,537	3,009
Municipal complex	34,443	32,203	32,036	167
Total general government	252,937	239,938	233,075	6,863
Public safety:				
Police	406,396	395,336	382,084	13,252
Fire	60,926	60,946	60,938	8
Building inspection	6,500	8,870	8,838	32
Total public safety	473,822	465,152	451,860	13,292
Public works:				
Department of public works	136,609	114,091	111,107	2,984
Sanitation	3,934	3,934	2,683	1,251
Total public works	140,543	118,025	113,790	4,235

# Village of Schoolcraft

## General Fund

### Budgetary Comparison Schedule

For the year ended February 28, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Community and economic development:				
Planning	\$ 3,550	\$ 6,930	\$ 6,917	\$ 13
Zoning	6,350	9,230	9,211	19
Community development	13,025	11,025	8,826	2,199
Total community and economic development	22,925	27,185	24,954	2,231
Recreation and culture:				
Parks and recreation department	24,951	27,051	22,230	4,821
Debt service				
Principal	54,350	51,250	50,000	1,250
Interest	8,698	8,698	8,697	1
Total debt service	63,048	59,948	58,697	1,251
Total expenditures	978,226	937,299	904,606	32,693
Excess (deficiency) of revenues over expenditures	(106,642)	(65,715)	5,233	70,948
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	3,760	3,760
Insurance recoveries	-	-	5,000	5,000
Total other financing sources (uses)	-	-	8,760	8,760
Net change in fund balance	(106,642)	(65,715)	13,993	79,708
Fund balance-beginning	880,876	880,876	880,876	-
Prior period adjustment	-	-	(7,704)	(7,704)
Fund balance-restated	880,876	880,876	873,172	(7,704)
Fund balance-ending	\$ 774,234	\$ 815,161	\$ 887,165	\$ 72,004

# Village of Schoolcraft

## Major Street Fund

### Budgetary Comparison Schedule

For the year ended February 28, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Michigan transportation funds	\$ 176,479	\$ 176,479	\$ 184,408	\$ 7,929
Interest	750	750	608	(142)
Total revenues	177,229	177,229	185,016	7,787
EXPENDITURES				
Current:				
Public works:				
Construction of streets	-	42,000	41,250	750
Preservation of streets	27,777	13,367	13,202	165
Traffic services	22,098	22,898	22,855	43
Winter maintenance	7,496	8,166	8,119	47
Administration and engineering	933	1,508	1,484	24
Total expenditures	58,304	87,939	86,910	1,029
Net change in fund balance	118,925	89,290	98,106	8,816
Fund balance-beginning	465,924	465,924	465,924	-
Fund balance-ending	\$ 584,849	\$ 555,214	\$ 564,030	\$ 8,816

# Village of Schoolcraft

## Library Fund

### Budgetary Comparison Schedule

For the year ended February 28, 2022

	Budgeted Amounts		Variance with	
	Original and Final	Actual	Final Budget	2021
<b>REVENUES</b>				
Taxes	\$ 179,128	\$ 175,417	\$ (3,711)	\$ 181,125
State grants	4,400	5,190	790	6,719
Contributions from local units	6,500	6,801	301	6,561
Charges for services	2,600	1,088	(1,512)	888
Fines and forfeits	100	99	(1)	64
Interest and rents	950	1,352	402	1,203
Other revenue	9,400	10,451	1,051	15,058
Total revenues	203,078	200,398	(2,680)	211,618
<b>EXPENDITURES</b>				
Current:				
Library	212,218	196,424	15,794	150,607
Debt service:				
Principal	1,594	1,594	-	1,362
Interest	216	216	-	339
Total expenditures	214,028	198,234	15,794	152,308
Net change in fund balances	(10,950)	2,164	13,114	59,310
Fund balances-beginning	310,865	310,865	-	251,555
Fund balances-ending	\$ 299,915	\$ 313,029	\$ 13,114	\$ 310,865

## Other Supplemental Information

---

# Village of Schoolcraft

## Nonmajor Governmental Funds

### Combining Balance Sheet

February 28, 2022

	<u>Special Revenue</u>		
	<u>Local Street</u>	<u>Downtown Development Authority</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 104,075	\$ 60,509	\$ 164,584
Receivables, net	-	1,107	1,107
Intergovernmental receivable	9,897	-	9,897
Prepays	582	-	582
Total assets	114,554	61,616	176,170
<b>LIABILITIES</b>			
Accounts payable	1,585	75	1,660
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid items	582		582
Restricted:			
Streets	112,387	-	112,387
Community and economic development	-	61,541	61,541
Total fund balances	112,969	61,541	174,510
Total liabilities and fund balances	\$ 114,554	\$ 61,616	\$ 176,170

# Village of Schoolcraft

## Nonmajor Governmental Funds

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

For the year ended February 28, 2022

	Special Revenue		
	Local Street	Downtown Development Authority	Total
<b>REVENUES</b>			
Taxes	\$ -	\$ 27,070	\$ 27,070
State grants	57,923	-	57,923
Interest and rents	54	29	83
Miscellaneous	443	-	443
<b>Total revenues</b>	<b>58,420</b>	<b>27,099</b>	<b>85,519</b>
<b>EXPENDITURES</b>			
Public works	18,919	-	18,919
Community and economic development	-	23,131	23,131
<b>Total expenditures</b>	<b>18,919</b>	<b>23,131</b>	<b>42,050</b>
 Net change in fund balances	 39,501	 3,968	 43,469
 Fund balances-beginning	 73,468	 57,573	 131,041
<b>Fund balances-ending</b>	<b>\$ 112,969</b>	<b>\$ 61,541</b>	<b>\$ 174,510</b>

