

Village of Schoolcraft

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Year Ended February 28, 2023

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Village of Schoolcraft

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February 28, 2023

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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, 2023, 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, 2023, 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.

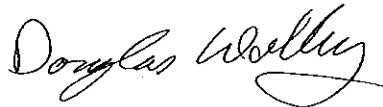
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 16, 2023

Village of Schoolcraft

Management's Discussion and Analysis

For the year ended February 28, 2023

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.

Five 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, 2023

Government-wide Financial Statements

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 through 16 of this report.

One proprietary fund, the Water Fund, an enterprise fund, is used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses its Water Fund to account for its water utility operations. The proprietary fund financial statements provide the same information as the business-type government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 17 through 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, 2023

The Village as a Whole

The Village's combined net position increased by \$253,507 from a year ago, from \$5,419,820 to \$5,673,327.

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 \$5,004 to \$1,063,913. This represents a decrease of approximately 0.468%.

Unrestricted net position for our governmental activities is about 79% 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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets:						
Current assets	\$ 2,305,600	\$ 2,292,836	\$ 658,753	\$ 565,013	\$ 2,964,353	\$ 2,857,849
Noncurrent assets	1,908,547	1,778,919	1,292,713	1,280,681	3,201,260	3,059,600
Total assets	4,214,147	4,071,755	1,951,466	1,845,694	6,165,613	5,917,449
Liabilities:						
Long-term debt outstanding	295,983	349,573	7,631	9,398	303,614	358,971
Other liabilities	185,129	130,418	3,543	8,240	188,672	138,658
Total liabilities	481,112	479,991	11,174	17,638	492,286	497,629
Net position:						
Net investment in capital assets	1,653,547	1,472,480	1,292,713	1,280,681	2,946,260	2,753,161
Restricted	1,015,575	1,050,367	-	-	1,015,575	1,050,367
Unrestricted	1,063,913	1,068,917	647,579	547,375	1,711,492	1,616,292
Total net position	\$ 3,733,035	\$ 3,591,764	\$ 1,940,292	\$ 1,828,056	\$ 5,673,327	\$ 5,419,820

Village of Schoolcraft

Management's Discussion and Analysis

For the year ended February 28, 2023

The following table shows the changes of net position as of February 28, 2023.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Program revenues						
Charges for services	\$ 30,755	\$ 15,383	\$ 318,979	\$ 326,687	\$ 349,734	\$ 342,070
Operating grants	362,532	339,657	7,491	-	370,023	339,657
General revenues						
Property taxes	865,466	878,319	-	-	865,466	878,319
State-shared revenues	186,868	180,858	-	-	186,868	180,858
Franchise fees	10,593	10,575	-	-	10,593	10,575
Unrestricted investment income	7,376	4,621	1,836	908	9,212	5,529
Intergovernmental	17,375	3,934	-	-	17,375	3,934
Miscellaneous	4,094	9,867	-	600	4,094	10,467
Capital Contributions	-	-	21,955	15,000	21,955	15,000
Total revenues	1,485,059	1,443,214	350,261	343,195	1,835,320	1,786,409
Expenses						
General government	262,008	249,548	-	-	262,008	249,548
Public safety	461,506	420,546	-	-	461,506	420,546
Public works	301,323	271,053	-	-	301,323	271,053
Community and economic development	61,940	48,800	-	-	61,940	48,800
Recreation and culture	249,623	233,422	-	-	249,623	233,422
Interest on long-term debt	7,388	8,796	-	-	7,388	8,796
Water Fund	-	-	238,025	228,609	238,025	228,609
Total expenses	1,343,788	1,232,165	238,025	228,609	1,581,813	1,460,774
Change in net position	141,271	211,049	112,236	114,586	253,507	325,635
Net position-beginning	3,591,764	3,388,419	1,828,056	1,713,470	5,419,820	5,101,889
Prior period adjustment	-	(7,704)	-	-	-	(7,704)
Net position-restated	3,591,764	3,380,715	1,828,056	1,713,470	5,419,820	5,094,185
Net position-ending	\$ 3,733,035	\$ 3,591,764	\$ 1,940,292	\$ 1,828,056	\$ 5,673,327	\$ 5,419,820

Village of Schoolcraft

Management's Discussion and Analysis

For the year ended February 28, 2023

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 \$1,891,414, a decrease of \$47,320 from the prior year. Of the \$1,891,414, \$875,475 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 \$854,730. 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 88% of total General Fund expenditures of \$975,839. The fund balance of the Village's General Fund decreased by \$11,690 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 \$506,901, a decrease of \$57,129 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 \$151,068, an increase of \$38,099 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 \$62,216, an increase of \$675 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 \$295,754, a decrease of \$17,275 from the prior year.

Unrestricted net position of the Water Fund at the end of the year was \$647,579. The Water Fund had an increase in net position for the year of \$112,236.

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 Treasurer's department budget was increased approximately \$4,200 to reflect changes in the allocation of the Treasurer's health insurance. The Building Inspection Department budget was decreased approximately \$10,200 to reflect lower than expected contract service. The Department of Public Works budget was decreased approximately \$5,000 to reflect lower than expected contract services. The Planning Department budget was increased approximately \$6,800 to reflect more than expected contract services.

The Village Council made amendments to the other funds. Those adjustments were not significant.

Village of Schoolcraft

Management's Discussion and Analysis

For the year ended February 28, 2023

Capital Asset and Debt Administration

At the end of 2023, the Village had \$3,201,260, 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	
	2023	2022	2023	2022	2023	2022
Land	\$ 130,000	\$ 130,000	\$ -	\$ -	\$ 130,000	\$ 130,000
Land improvements	26,598	28,598	-	-	26,598	28,598
Buildings and improvements	771,059	791,127	424,539	447,240	1,195,598	1,238,367
Machinery and equipment	76,924	86,391	294	392	77,218	86,783
Furniture	2	2	-	-	2	2
Vehicles	85,529	54,073	-	-	85,529	54,073
Books	21,913	19,475	-	-	21,913	19,475
Infrastructure	796,522	669,253	-	-	796,522	669,253
Water system	-	-	867,880	833,049	867,880	833,049
Total capital assets	\$ 1,908,547	\$ 1,778,919	\$ 1,292,713	\$ 1,280,681	\$ 3,201,260	\$ 3,059,600

Major additions this year include the following:

Library books	\$ 12,644
Furnace for DPW building	15,350
2022 Street resurfacing	199,590
2020 Ford Interceptor	46,185
Audio for the Council Hall	13,266
Emergency vehicle outfit	16,027
Elementary School water connection	61,958
Water meters	6,884
Well #3 cleaning	17,525
Boom truck	33,100

Long-term debt activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities				
2017 Capital Improvement Refunding Bonds	\$ 305,000	\$ -	\$ 50,000	\$ 255,000
Capital Lease - copier	1,439	-	1,439	-
Compensated absences	43,134	-	2,151	40,983
Total governmental activities	\$ 349,573	\$ -	\$ 53,590	\$ 295,983
Businesses-type Activities				
Compensated absences	\$ 9,398	\$ -	\$ 1,767	\$ 7,631

Village of Schoolcraft

Management's Discussion and Analysis

For the year ended February 28, 2023

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 are 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 increase in expenditures year over year, and to develop and implement policies to address them.

In the year ended February 28, 2023 the fund balance in the General Fund is \$875,475. This is 91%, or 11 months, of annual revenue. As the Village's fiscal year end is February 28, and the most significant cash flow from property taxes occur in July through September, the Village Council considers this to be an appropriate fund balance.

The Village has received \$162,993 in American Rescue Plan Act funds. The Village has purchased a high-efficiency HEPA HVAC unit for their Public Works department building and a public address sound system for the Council chambers using the ARPA funds. The ARPA resources remaining to be spent are \$134,378.

The Village Council has continued its program of continuous water meter replacement. Having water meters that accurately measure water use ensures Water Fund revenue is correctly measured. During the year, work continued to connect the newly constructed elementary school building to the water system. The connection costs of over \$60,000 to date have been paid by the school district.

The Village sets funds aside in the Equipment Rental Fund so that it has the resources available to replace capital items when needed. The increases in this fund include rent payments from the other Village funds. The items purchased and maintained are equipment and vehicles including snow plows, dump trucks, bucket trucks, lawn mowers, air compressors, and many others. During the year, cash increased by \$4,487 while net position increased by \$17,705. The Equipment Rental Fund had cash of \$231,285 at year end, and a net position of \$332,063.

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, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,164,690	\$ 587,858	\$ 2,752,548
Receivables, net	49,088	70,846	119,934
Intergovernmental receivable	69,532	-	69,532
Inventories	643	-	643
Interfund balances	538	(538)	-
Prepays	21,109	587	21,696
Land	130,000	-	130,000
Capital assets, net of accumulated depreciation	1,778,547	1,292,713	3,071,260
Total assets	\$ 4,214,147	\$ 1,951,466	\$ 6,165,613
LIABILITIES			
Accounts payable	\$ 11,057	\$ 3,543	\$ 14,600
Accrued liabilities	11,952	-	11,952
Unearned revenue	134,378	-	134,378
Unavailable revenue	27,742	-	27,742
Noncurrent liabilities:			
Due within one year	50,000	-	50,000
Due in more than one year	205,000	-	205,000
Compensated absences	40,983	7,631	48,614
Total liabilities	481,112	11,174	492,286
NET POSITION			
Net investment in capital assets	1,653,547	1,292,713	2,946,260
Restricted for:			
Streets	657,605	-	657,605
Library	295,754	-	295,754
Community development	62,216	-	62,216
Unrestricted	1,063,913	647,579	1,711,492
Total net position	3,733,035	1,940,292	5,673,327
Total liabilities and net position	\$ 4,214,147	\$ 1,951,466	\$ 6,165,613

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

Village of Schoolcraft

Statement of Activities

For the year ended February 28, 2023

	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	
Functions/Programs:								
Primary government:								
Governmental activities:								
General government	\$ 262,008	\$ -	\$ 580	\$ -	\$ (261,428)	\$ -	\$ (261,428)	
Public safety	461,506	23,608	37,334	-	(400,564)	-	(400,564)	
Public works	301,323	-	302,540	-	1,217	-	1,217	
Community and economic development	61,940	-	-	-	(61,940)	-	(61,940)	
Recreation and culture	249,623	7,147	22,078	-	(220,398)	-	(220,398)	
Interest on long-term debt	7,388	-	-	-	(7,388)	-	(7,388)	
Total governmental activities	1,343,788	30,755	362,532	-	(950,501)	-	(950,501)	
Business-type activities:								
Water	238,025	318,979	7,491	-	-	88,445	88,445	
Total primary government	\$ 1,581,813	\$ 349,734	\$ 370,023	\$ -	\$ (950,501)	\$ 88,445	\$ (862,056)	
General revenues:								
Property taxes					865,466	-	865,466	
State shared revenue					186,868	-	186,868	
Franchise fees					10,593	-	10,593	
Unrestricted investment income					7,376	1,836	9,212	
Capital contributions					-	21,955	21,955	
Intergovernmental					17,375	-	17,375	
Miscellaneous					4,094	-	4,094	
Total general revenues and transfers					1,091,772	23,791	1,115,563	
Change in net position					141,271	112,236	253,507	
Net position-beginning					3,591,764	1,828,056	5,419,820	
Net position-ending					\$ 3,733,035	\$ 1,940,292	\$ 5,673,327	

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

Village of Schoolcraft

Governmental Funds

Balance Sheet

February 28, 2023

	General	Major Street	Library	Nonmajor Funds	Total
ASSETS					
Cash and cash equivalents	\$ 986,545	\$ 477,441	\$ 265,757	\$ 203,662	\$ 1,933,405
Receivables, net	14,376	-	33,578	1,134	49,088
Intergovernmental receivable	27,742	31,813	-	9,977	69,532
Due from other funds	4,186	-	-	-	4,186
Inventories	643	-	-	-	643
Prepays	20,745	182	-	182	21,109
Total assets	\$ 1,054,237	\$ 509,436	\$ 299,335	\$ 214,955	\$ 2,077,963
LIABILITIES					
Accounts payable	\$ 10,354	\$ 223	\$ -	\$ 335	\$ 10,912
Accrued liabilities	6,288	-	3,581	-	9,869
Due to other funds	-	2,312	-	1,336	3,648
Unearned revenue	134,378	-	-	-	134,378
Total liabilities	151,020	2,535	3,581	1,671	158,807
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-state revenue	27,742	-	-	-	27,742
FUND BALANCES					
Nonspendable:					
Prepaid items	20,745	182	-	182	21,109
Restricted for:					
Streets	-	506,719	-	150,886	657,605
Library	-	-	295,754	-	295,754
Community development	-	-	-	62,216	62,216
Unassigned	854,730	-	-	-	854,730
Total fund balances	875,475	506,901	295,754	213,284	1,891,414
Total liabilities, deferred inflows of resources and fund balances	\$ 1,054,237	\$ 509,436	\$ 299,335	\$ 214,955	\$ 2,077,963

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, 2023

Total fund balances - governmental funds	\$ 1,891,414
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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.	1,807,624
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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.	332,063
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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, 2023 were:	
Long-term debt	(255,000)
Accrued interest	(2,083)
Compensated absences	(40,983)

Net position of governmental activities	\$ 3,733,035
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Village of Schoolcraft

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 28, 2023

	General	Major Street	Library	Nonmajor Funds	Total
REVENUES					
Taxes	\$ 671,543	\$ -	\$ 164,234	\$ 29,689	\$ 865,466
Licenses and permits	34,876	-	-	-	34,876
State grants	212,544	185,162	6,114	58,068	461,888
Federal grants	28,615	-	-	-	28,615
Contributions from local units	300	-	7,264	-	7,564
Charges for services	11,001	-	1,871	-	12,872
Fines and forfeits	-	-	80	-	80
Interest and rents	4,130	1,188	924	267	6,509
Other revenue	1,140	-	13,674	-	14,814
Total revenues	964,149	186,350	194,161	88,024	1,432,684
EXPENDITURES					
Current:					
General government	277,932	-	-	-	277,932
Public safety	450,261	-	-	-	450,261
Public works	134,561	243,479	-	20,200	398,240
Community and economic development	32,176	-	-	29,050	61,226
Recreation and culture	23,437	-	209,673	-	233,110
Debt service	57,472	-	1,763	-	59,235
Total expenditures	975,839	243,479	211,436	49,250	1,480,004
 Net change in fund balances	 (11,690)	 (57,129)	 (17,275)	 38,774	 (47,320)
 Fund balances-beginning	 887,165	 564,030	 313,029	 174,510	 1,938,734
Fund balances-ending	\$ 875,475	\$ 506,901	\$ 295,754	\$ 213,284	\$ 1,891,414

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, 2023

Net change in fund balances - total governmental funds	\$	(47,320)
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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	256,877
Deduct--Depreciation expense	(139,988)

(Increase) decrease in compensated absences	2,151
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Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	51,439
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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	407

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.	17,705
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Change in net position of governmental activities	\$	141,271
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Village of Schoolcraft

Proprietary Funds

Statement of Net Position

February 28, 2023

	Water Fund	Governmental activities - Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 587,858	\$ 231,285
Accounts receivable	70,846	-
Prepaid items	587	-
Total current assets	659,291	231,285
Noncurrent assets:		
Capital assets, net of accumulated depreciation	1,292,713	100,923
Total assets	\$ 1,952,004	\$ 332,208
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 3,543	\$ 145
Due to other funds	538	-
Total current liabilities	4,081	145
Noncurrent liabilities:		
Compensated absences payable	7,631	-
Total liabilities	11,712	145
NET POSITION		
Net investment in capital assets	1,292,713	100,923
Unrestricted	647,579	231,140
Total net position	1,940,292	332,063
Total liabilities and net position	\$ 1,952,004	\$ 332,208

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, 2023

	Water Fund	Governmental activities - Internal Service Fund
Operating revenues:		
Charges for services	\$ 310,559	\$ 51,509
Fees	8,420	-
Total operating revenues	318,979	51,509
Operating expenses:		
Salaries	60,051	-
Payroll taxes	5,483	-
Employee benefits	13,246	-
Supplies	15,429	6,118
Contractual services	15,947	-
Utilities	12,764	-
Repairs	23,868	8,193
Rent	8,607	-
Depreciation	74,335	20,360
Other	8,295	-
Total operating expenses	238,025	34,671
Operating income (loss)	80,954	16,838
Nonoperating revenues (expenses):		
Interest	1,836	867
State grants	7,491	-
Total nonoperating revenues (expenses)	9,327	867
Income (loss) before contributions	90,281	17,705
Contributed capital	21,955	-
Change in net position	112,236	17,705
Net position-beginning	1,828,056	314,358
Net position-ending	\$ 1,940,292	\$ 332,063

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, 2023

	Water Fund	Governmental activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 337,215	\$ 51,509
Payments to suppliers	(100,341)	(14,789)
Payments to employees	(65,534)	-
Net cash provided by (used for) operating activities	171,340	36,720
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	21,955	-
Purchase of capital assets	(86,367)	(33,100)
Other receipts (payments)	7,491	-
Net cash provided by (used for) capital and related financing activities	(56,921)	(33,100)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	1,836	867
Net increase (decrease) in cash and cash equivalents	116,255	4,487
Cash and cash equivalents - beginning of year	471,603	226,798
Cash and cash equivalents - end of year	\$ 587,858	\$ 231,285
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 80,954	\$ 16,838
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	74,335	20,360
(Increase) decrease in accounts receivable	3,236	-
(Increase) decrease in due from other funds	15,000	-
(Increase) decrease in prepaid items	3,741	-
Increase (decrease) in accounts payable	(4,347)	(478)
Increase (decrease) in accrued liabilities	(350)	-
Increase (decrease) in compensation absences	(1,767)	-
Increase (decrease) in due to other funds	538	-
Net cash provided by operating activities	\$ 171,340	\$ 36,720

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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>
General Fund			
Treasurer	\$ 61,986	\$ 81,622	\$ 19,636
Municipal complex	35,280	37,396	2,116
Police	363,004	370,768	7,764
Building inspection	2,800	16,770	13,970
Planning	12,930	13,780	850
Zoning	800	1,699	899
Community development	14,810	16,697	1,887

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 28, 2023

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:

	Cash and Cash Equivalents
Governmental activities	\$ 2,164,690
Business-type activities	587,858
Total	\$ 2,752,548

The breakdown between deposits and investments is as follows:

	Primary Government
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 2,752,192
Petty cash and cash on hand	356
Total	\$ 2,752,548

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 \$2,888,936, of which \$1,516,431 is covered by federal depository insurance. The remaining \$1,372,505 is uninsured and uncollateralized. The Village does not have a policy for custodial risk.

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 28, 2023

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the primary government, for the year was as follows:

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
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	15,350	1,705	1,501,562
Machinery and equipment	339,203	13,266	13,675	338,794
Furniture	148,283	-	-	148,283
Vehicles	299,968	49,127	-	349,095
Books	47,371	12,644	8,983	51,032
Infrastructure	1,260,851	199,589	1,435	1,459,005
Total capital assets, being depreciated	3,613,591	289,976	25,798	3,877,769
Less accumulated depreciation for:				
Land improvements	1,400	2,000	-	3,400
Buildings, additions and improvements	696,790	35,418	1,705	730,503
Machinery and equipment	252,812	22,733	13,675	261,870
Furniture	148,281	-	-	148,281
Vehicles	245,895	17,671	-	263,566
Books	27,896	10,206	8,983	29,119
Infrastructure	591,598	72,320	1,435	662,483
Total accumulated depreciation	1,964,672	160,348	25,798	2,099,222
Total capital assets being depreciated, net	1,648,919	129,628	-	1,778,547
Governmental activities capital assets, net	\$ 1,778,919	\$ 129,628	\$ -	\$ 1,908,547

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

Governmental Activities:	
General government	\$ 30,872
Public safety	11,245
Public works	88,361
Community and economic development	713
Recreation	29,157
Total governmental activities	\$ 160,348

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 28, 2023

Business-type Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, being depreciated:				
Buildings and additions	\$ 1,138,648	\$ -	\$ -	\$ 1,138,648
Machinery and equipment	9,350	-	-	9,350
Water system	1,890,086	86,367	-	1,976,453
Total capital assets being depreciated, net	3,038,084	86,367	-	3,124,451
Less accumulated depreciation for:				
Buildings and additions	691,408	22,701	-	714,109
Machinery and equipment	8,958	98	-	9,056
Water system	1,057,037	51,536	-	1,108,573
Total accumulated depreciation	1,757,403	74,335	-	1,831,738
Total capital assets being depreciated, net	1,280,681	12,032	-	1,292,713
Business-type activities capital assets, net	\$ 1,280,681	\$ 12,032	\$ -	\$ 1,292,713

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

Business-type Activities:	
Water	\$ 74,335

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of February 28, 2023 is as follows:

Due to/from other funds:

Payable Fund:	Receivable Fund: General
Major Street	\$ 2,312
Local Street	1,286
DDA	50
Water	538
Total	\$ 4,186

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, 2023

NOTE 6 - LONG-TERM DEBT

Long-term obligation activity, for the year ended February 28, 2023, can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and notes payable:					
General obligation bonds	\$ 305,000	\$ -	\$ 50,000	\$ 255,000	\$ 50,000
Capital lease, Library copier	1,439	-	1,439	-	-
Total bonds and notes payable	306,439	-	51,439	255,000	50,000
Other liabilities:					
Compensated absences	43,134	-	2,151	40,983	-
Total governmental activities	\$ 349,573	\$ -	\$ 53,590	\$ 295,983	\$ 50,000
Business-type Activities					
Other liabilities:					
Compensated absences	\$ 9,398	\$ -	\$ 1,767	\$ 7,631	\$ -

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 28, 2023

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%.

\$ 255,000

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

February 28,	Governmental Activities		
	Principal	Interest	Total
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	\$ 255,000	\$ 18,988	\$ 273,988

The Village paid \$7,388 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 \$5,955 as of February 28, 2023. Total expense under this obligation was \$1,518 for the year ended February 28, 2023.

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 28, 2023

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	\$ 14,376	\$ 1,134	\$ 33,578	\$ 49,088

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 \$19,786 for the fiscal year ended February 28, 2023.

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, 2023

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 \$62,723 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, 2022		At March 31, 2022	
Total Assets	\$ 2,260,911	Revenues	\$ 687,265
Total Liabilities	\$ 30,200	Expenses	440,509
Total Net Position	2,230,711	Change in Net Position	\$ 246,756
Total Liabilities and Net Position	\$ 2,260,911		

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 \$5,145.

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 16, 2023, 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, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes:				
Property	\$ 630,000	\$ 655,000	\$ 668,342	\$ 13,342
Industrial facility tax	6,000	6,000	3,075	(2,925)
Property tax administration fee	-	130	126	(4)
Total taxes	636,000	661,130	671,543	10,413
Licenses and permits:				
Business licenses and permits	1,500	1,525	1,523	(2)
Franchise fees	11,000	11,000	10,593	(407)
Non-business licenses and permits	5,700	9,200	22,760	13,560
Total licenses and permits	18,200	21,725	34,876	13,151
State grants:				
State revenue sharing	163,380	163,380	186,868	23,488
Other state grants	14,750	25,685	25,676	(9)
Total state grants	178,130	189,065	212,544	23,479
Federal grants	81,171	37,671	28,615	(9,056)
Charges for services:				
Fees	11,500	13,985	10,152	(3,833)
Services rendered	500	725	849	124
Total charges for services	12,000	14,710	11,001	(3,709)
Contributions from local units:				
Contributions from local units	-	300	300	-
Interest and rents:				
Interest	1,800	2,250	4,130	1,880
Other revenue:				
Contributions and donations	1,500	1,500	580	(920)
Miscellaneous	100	550	560	10
Total other revenue	1,600	2,050	1,140	(910)
Total revenues	928,901	928,901	964,149	35,248

Village of Schoolcraft

General Fund

Budgetary Comparison Schedule

For the year ended February 28, 2023

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
EXPENDITURES				
Current:				
General government:				
Village council	\$ 31,063	\$ 31,063	\$ 30,216	\$ 847
Manager	122,192	122,192	119,304	2,888
Clerk	8,240	9,590	9,394	196
Treasurer	57,763	61,988	81,622	(19,634)
Municipal complex	32,540	35,280	37,396	(2,116)
Total general government	251,798	260,113	277,932	(17,819)
Public safety:				
Police	363,004	363,004	370,768	(7,764)
Fire	62,000	62,000	62,723	(723)
Building inspection	13,000	2,800	16,770	(13,970)
Total public safety	438,004	427,804	450,261	(22,457)
Public works:				
Department of public works	146,971	141,936	131,734	10,202
Sanitation	3,800	3,800	2,827	973
Total public works	150,771	145,736	134,561	11,175

Village of Schoolcraft

General Fund

Budgetary Comparison Schedule

For the year ended February 28, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Community and economic development:				
Planning	\$ 6,150	\$ 12,930	\$ 13,780	\$ (850)
Zoning	800	800	1,699	(899)
Community development	12,120	14,810	16,697	(1,887)
Total community and economic development	19,070	28,540	32,176	(3,636)
Recreation and culture:				
Parks and recreation department	33,455	33,455	23,437	10,018
Debt service				
Principal	50,000	50,000	50,000	-
Interest	7,473	7,473	7,472	1
Total debt service	57,473	57,473	57,472	1
Total expenditures	950,571	953,121	975,839	(22,718)
Net change in fund balance	(21,670)	(24,220)	(11,690)	12,530
Fund balance-beginning	887,165	887,165	887,165	-
Fund balance-ending	\$ 865,495	\$ 862,945	\$ 875,475	\$ 12,530

Village of Schoolcraft

Major Street Fund

Budgetary Comparison Schedule

For the year ended February 28, 2023

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Michigan transportation funds	\$ 181,495	\$ 180,940	\$ 185,162	\$ 4,222
Interest	500	1,055	1,188	133
Total revenues	181,995	181,995	186,350	4,355
EXPENDITURES				
Current:				
Public works:				
Construction of streets	-	200,000	199,589	411
Preservation of streets	239,751	39,686	11,835	27,851
Traffic services	22,730	22,730	21,904	826
Winter maintenance	9,545	9,545	7,421	2,124
Administration and engineering	2,444	2,509	2,730	(221)
Total expenditures	274,470	274,470	243,479	30,991
Net change in fund balance	(92,475)	(92,475)	(57,129)	35,346
Fund balance-beginning	564,030	564,030	564,030	-
Fund balance-ending	\$ 471,555	\$ 471,555	\$ 506,901	\$ 35,346

Village of Schoolcraft

Library Fund

Budgetary Comparison Schedule

For the year ended February 28, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 183,206	\$ 183,206	\$ 164,234	\$ (18,972)
State grants	4,400	4,400	6,114	1,714
Contributions from local units	6,500	6,500	7,264	764
Charges for services	1,800	1,800	1,871	71
Fines and forfeits	100	100	80	(20)
Interest and rents	950	950	924	(26)
Other revenue	7,900	7,900	13,674	5,774
Total revenues	204,856	204,856	194,161	(10,695)
EXPENDITURES				
Current:				
Library	212,072	222,684	209,673	13,011
Debt service:				
Principal	1,680	1,680	1,684	(4)
Interest	-	-	79	(79)
Total expenditures	213,752	224,364	211,436	12,928
Net change in fund balances	(8,896)	(19,508)	(17,275)	2,233
Fund balances-beginning	313,029	313,029	313,029	-
Fund balances-ending	\$ 304,133	\$ 293,521	\$ 295,754	\$ 2,233

Other Supplemental Information

Village of Schoolcraft

Nonmajor Governmental Funds

Combining Balance Sheet

February 28, 2023

	Special Revenue		
	Local Street	Downtown Development Authority	Total
ASSETS			
Cash	\$ 142,419	\$ 61,243	\$ 203,662
Receivables, net	-	1,134	1,134
Intergovernmental receivable	9,977	-	9,977
Prepays	182	-	182
Total assets	152,578	62,377	214,955
LIABILITIES			
Accounts payable	224	111	335
Due to other funds	1,286	50	1,336
Total liabilities	1,510	161	1,671
FUND BALANCES			
Nonspendable:			
Prepaid items	182		182
Restricted:			
Streets	150,886	-	150,886
Community and economic development	-	62,216	62,216
Total fund balances	151,068	62,216	213,284
Total liabilities and fund balances	\$ 152,578	\$ 62,377	\$ 214,955

Village of Schoolcraft

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 28, 2023

	Special Revenue		
	Local Street	Downtown Development Authority	Total
REVENUES			
Taxes	\$ -	\$ 29,689	\$ 29,689
State grants	58,068	-	58,068
Interest and rents	231	36	267
Total revenues	58,299	29,725	88,024
EXPENDITURES			
Public works	20,200	-	20,200
Community and economic development	-	29,050	29,050
Total expenditures	20,200	29,050	49,250
Net change in fund balances	38,099	675	38,774
Fund balances-beginning	112,969	61,541	174,510
Fund balances-ending	\$ 151,068	\$ 62,216	\$ 213,284

