

Village of Schoolcraft

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Year Ended February 28, 2019

Village of Schoolcraft

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February 28, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Schoolcraft

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Schoolcraft as of and for the year ended February 28, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village, as of February 28, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–8 and 38–44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Douglas Wohlberg".

Douglas Wohlberg, CPA
Byron Center, Michigan
July 8, 2019

Village of Schoolcraft

Management's Discussion and Analysis

For the year ended February 28, 2019

Using this Annual Report

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

The Village as a Whole

The Village's combined net position increased by \$55,420 from a year ago, from \$4,430,801 to \$4,486,221.

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 \$9,200 to \$995,115. This represents an increase of approximately 1%. The current level of unrestricted net position for our governmental activities is about 74% of 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Assets:						
Current assets	\$ 1,838,003	\$ 1,769,446	\$ 341,967	\$ 245,361	\$ 2,179,970	\$ 2,014,807
Noncurrent assets	1,642,980	1,762,759	1,216,011	1,250,492	2,858,991	3,013,251
Total assets	3,480,983	3,532,205	1,557,978	1,495,853	5,038,961	5,028,058
Liabilities:						
Long-term debt outstanding	491,133	523,115	6,604	5,884	497,737	528,999
Other liabilities	51,310	63,147	3,693	5,111	55,003	68,258
Total liabilities	542,443	586,262	10,297	10,995	552,740	597,257
Net position:						
Net investment in capital assets	1,192,991	1,303,754	1,216,011	1,250,492	2,409,002	2,554,246
Restricted	750,434	656,274	-	-	750,434	656,274
Unrestricted	995,115	985,915	331,670	234,366	1,326,785	1,220,281
Total net position	\$ 2,938,540	\$ 2,945,943	\$ 1,547,681	\$ 1,484,858	\$ 4,486,221	\$ 4,430,801

Village of Schoolcraft

Management's Discussion and Analysis

For the year ended February 28, 2019

The following table shows the changes of net position as of February 28, 2019.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program revenues						
Charges for services	\$ 40,846	\$ 42,726	\$ 285,389	\$ 254,085	\$ 326,235	\$ 296,811
Operating grants and contributions	351,539	311,844	9,745	-	361,284	311,844
General revenues						
Property taxes	753,686	733,754	-	-	753,686	733,754
State-shared revenues	152,710	148,784	-	-	152,710	148,784
Franchise fees	10,492	10,366	-	-	10,492	10,366
Unrestricted investment income	12,467	8,134	1,043	475	13,510	8,609
Miscellaneous	9,857	513	1,982	100	11,839	613
Gain (loss) on sale of capital assets	-	750	-	-	-	750
Total revenues	1,331,597	1,256,871	298,159	254,660	1,629,756	1,511,531
Expenses						
General government	210,028	241,814	-	-	210,028	241,814
Public safety	458,551	443,433	-	-	458,551	443,433
Public works	341,140	361,090	-	-	341,140	361,090
Community and economic development	73,071	92,591	-	-	73,071	92,591
Recreation and culture	247,724	263,557	-	-	247,724	263,557
Interest on long-term debt	8,486	16,384	-	-	8,486	16,384
Water Fund	-	-	235,336	229,799	235,336	229,799
Total expenses	1,339,000	1,418,869	235,336	229,799	1,574,336	1,648,668
Change in net position	(7,403)	(161,998)	62,823	24,861	55,420	(137,137)
Net position-beginning	2,945,943	3,107,941	1,484,858	1,459,997	4,430,801	4,567,938
Net position-ending	\$ 2,938,540	\$ 2,945,943	\$ 1,547,681	\$ 1,484,858	\$ 4,486,221	\$ 4,430,801

Village of Schoolcraft

Management's Discussion and Analysis

For the year ended February 28, 2019

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 \$1,562,768, an increase of \$99,011 from the prior year. Of the \$1,562,768, \$809,216 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 \$786,831. 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 90% of total General Fund expenditures. The fund balance of the Village's General Fund increased by \$4,423 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 \$403,203, an increase of \$49,863 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 \$63,270, an increase of \$46,849 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 \$57,489, a decrease of \$16,687 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 \$229,590, a increase of \$14,563 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 \$331,670. The Water Fund had an increase in net position for the year of \$62,823.

The Village's Governmental Fund Budgets

There were no significant amendments to the budgets of the Village's governmental funds.

Village of Schoolcraft

Management's Discussion and Analysis

For the year ended February 28, 2019

Capital Asset and Debt Administration

At the end of 2019, the Village had \$2,858,991, 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.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 130,000	\$ 130,000	\$ -	\$ -	\$ 130,000	\$ 130,000
Buildings and improvements	893,898	928,401	531,782	538,581	1,425,680	1,466,982
Machinery and equipment	45,076	44,415	687	785	45,763	45,200
Furniture	2	18,537	-	-	2	18,537
Vehicles	38,196	50,329	-	-	38,196	50,329
Books	9,527	5,206	-	-	9,527	5,206
Infrastructure	451,490	494,940	-	-	451,490	494,940
Internal service fund	74,791	90,931	-	-	74,791	90,931
Water system	-	-	683,542	711,126	683,542	711,126
Total capital assets	\$ 1,642,980	\$ 1,762,759	\$ 1,216,011	\$ 1,250,492	\$ 2,858,991	\$ 3,013,251

Major additions this year include the following:

Library books	\$ 9,662
Library, leased copier	5,955

Long-term debt activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities				
2017 Capital Improvement				
Refunding Bonds	\$ 490,000	\$ -	\$ 45,000	\$ 445,000
Capital Lease - copier	-	5,955	966	4,989
Total governmental activities	\$ 490,000	\$ 5,955	\$ 45,966	\$ 449,989

Village of Schoolcraft

Management's Discussion and Analysis

For the year ended February 28, 2019

Economic Factors and Next Year's Budgets and Rates

The Village's General Fund fund balance is healthy, but it is decreasing. While revenues have been increasing slowly over the years, expenditures have 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 is causing the more rapid increase in expenditures and working to make the best decisions necessary to maintain the health of the General Fund while continuing to provide a high level of service to the Village residents.

Water and Ready-To-Serve rates are adjusted as needed to comply with the Asset Management Plan required by the State of Michigan. In order to upgrade and install required water infrastructure, the Village ready-to-serve rates were analyzed and an increase was approved to support the proposed 10 year debt service of approximately \$501,000.

The Village received a 50% matching grant from the Michigan Department of Treasury for the upcoming fiscal year to widen Angell Street here in the Village, in our industrial park.

Funds are set aside through an equipment rental fund so that we are able to purchase capital items such as heavy equipment vehicles, as well as, pay for repair of these items.

It is expected that we will continue this downward trend unless and until the State of Michigan re-prioritizes its funding to the local level to allow us to adequately provide and pay for essential services such as police, fire and roads.

Village of Schoolcraft

Management's Discussion and Analysis

For the year ended February 28, 2019

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, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,701,193	\$ 272,604	\$ 1,973,797
Receivables, net	67,306	63,443	130,749
Intergovernmental receivable	43,893	4,745	48,638
Interfund balances	109	(109)	-
Prepays	25,502	1,284	26,786
Capital assets, net of accumulated depreciation	1,642,980	1,216,011	2,858,991
Total assets	\$ 3,480,983	\$ 1,557,978	\$ 5,038,961
LIABILITIES			
Accounts payable	\$ 4,638	\$ 1,762	\$ 6,400
Accrued liabilities	22,640	1,931	24,571
Unavailable revenue	24,032	-	24,032
Noncurrent liabilities:			
Due within one year	46,068	-	46,068
Due in more than one year	403,921	-	403,921
Compensated absences	41,144	6,604	47,748
Total liabilities	542,443	10,297	552,740
NET POSITION			
Net investment in capital assets	1,192,991	1,216,011	2,409,002
Restricted for:			
Streets	463,380	-	463,380
Library	229,589	-	229,589
Community development	57,465	-	57,465
Unrestricted	995,115	331,670	1,326,785
Total net position	2,938,540	1,547,681	4,486,221
Total liabilities and net position	\$ 3,480,983	\$ 1,557,978	\$ 5,038,961

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

Village of Schoolcraft

Statement of Activities

For the year ended February 28, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:						
Primary government:						
Governmental activities:						
General government	\$ 210,028	\$ -	\$ 1,500	\$ (208,528)	\$ -	\$ (208,528)
Public safety	458,551	24,817	660	(433,074)	-	(433,074)
Public works	341,140	-	303,834	(37,306)	-	(37,306)
Community and economic development	73,071	-	19,623	(53,448)	-	(53,448)
Recreation and culture	247,724	16,029	25,922	(205,773)	-	(205,773)
Interest on long-term debt	8,486	-	-	(8,486)	-	(8,486)
Total governmental activities	1,339,000	40,846	351,539	(946,615)	-	(946,615)
Business-type activities:						
Water	235,336	285,389	9,745	-	59,798	59,798
Total primary government	\$ 1,574,336	\$ 326,235	\$ 361,284	(946,615)	59,798	(886,817)
General revenues:						
Property taxes				753,686	-	753,686
State-shared revenues				152,710	-	152,710
Franchise fees				10,492	-	10,492
Unrestricted investment income				12,467	1,043	13,510
Intergovernmental				8,546	-	8,546
Miscellaneous				1,311	1,982	3,293
Total general revenues and transfers				939,212	3,025	942,237
Change in net position				(7,403)	62,823	55,420
Net position-beginning				2,945,943	1,484,858	4,430,801
Net position-ending				\$ 2,938,540	\$ 1,547,681	\$ 4,486,221

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

Village of Schoolcraft

Governmental Funds

Balance Sheet

February 28, 2019

	General	Major Street	Local Street	DDA	Library	Total
ASSETS						
Cash and cash equivalents	\$ 775,729	\$ 389,929	\$ 58,460	\$ 52,769	\$ 196,368	\$ 1,473,255
Receivables, net	26,541	-	-	5,240	35,525	67,306
Intergovernmental receivable	25,754	13,800	4,339	-	-	43,893
Due from other funds	236	-	-	-	-	236
Prepays	22,385	1,735	1,358	24	-	25,502
Total assets	\$ 850,645	\$ 405,464	\$ 64,157	\$ 58,033	\$ 231,893	\$ 1,610,192
LIABILITIES						
Accounts payable	\$ 3,026	\$ 1,157	\$ 5	\$ 70	\$ -	\$ 4,258
Accrued liabilities	14,371	1,040	819	474	2,303	19,007
Due to other funds	-	64	63	-	-	127
Total liabilities	17,397	2,261	887	544	2,303	23,392
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-state revenue	24,032	-	-	-	-	24,032
FUND BALANCES						
Nonspendable:						
Prepaid items	22,385	1,735	1,358	24	-	25,502
Restricted for:						
Streets	-	401,468	61,912	-	-	463,380
Library	-	-	-	-	229,590	229,590
Community development	-	-	-	57,465	-	57,465
Unassigned	786,831	-	-	-	-	786,831
Total fund balances	809,216	403,203	63,270	57,489	229,590	1,562,768
Total liabilities, deferred inflows of resources and fund balances	\$ 850,645	\$ 405,464	\$ 64,157	\$ 58,033	\$ 231,893	\$ 1,610,192

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, 2019

Total fund balances - governmental funds	\$ 1,562,768
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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.	1,568,189
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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.	302,349
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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, 2019 were:

Long-term debt	(449,989)
Accrued interest	(3,632)
Compensated absences	(41,144)

Net position of governmental activities	\$ 2,938,541
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Village of Schoolcraft

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 28, 2019

	General	Major Street	Local Street	DDA	Library	Total
REVENUES						
Taxes	\$ 570,502	\$ -	\$ -	\$ 20,967	\$ 162,217	\$ 753,686
Licenses and permits	24,674	-	-	-	-	24,674
State grants	168,627	148,762	84,221	-	8,924	410,534
Contributions from local units	-	-	-	-	7,187	7,187
Charges for services	12,943	-	-	-	3,189	16,132
Fines and forfeits	-	-	-	-	1,206	1,206
Interest and rents	8,400	579	21	66	822	9,888
Other revenue	22,004	-	-	-	19,569	41,573
Total revenues	807,150	149,341	84,242	21,033	203,114	1,264,880
EXPENDITURES						
Current:						
General government	178,037	-	-	-	-	178,037
Public safety	445,499	-	-	-	-	445,499
Public works	128,876	99,478	37,393	-	-	265,747
Community and economic development	34,635	-	-	37,720	-	72,355
Recreation and culture	28,006	-	-	-	186,980	214,986
Debt service	57,005	-	-	-	1,571	58,576
Total expenditures	872,058	99,478	37,393	37,720	188,551	1,235,200
Excess (deficiency) of revenues over expenditures	(64,908)	49,863	46,849	(16,687)	14,563	29,680
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	69,331	-	-	-	-	69,331
Net change in fund balances	4,423	49,863	46,849	(16,687)	14,563	99,011
Fund balances-beginning	804,793	353,340	16,421	74,176	215,027	1,463,757
Fund balances-ending	\$ 809,216	\$ 403,203	\$ 63,270	\$ 57,489	\$ 229,590	\$ 1,562,768

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, 2019

Net change in fund balances - total governmental funds	\$ 99,011
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	15,617
Deduct--Depreciation expense	(119,256)
Collections of payments on land contract receivable are reported as revenues in the governmental funds and as a reduction of an asset in the entity-wide presentation.	(69,331)
Increase in compensated absences	(8,029)
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	45,966
Increase in Library copier lease is not recorded in the governmental fund statements, but increases long-term debt in the entity-wide financial statements	(5,955)
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	4,071
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.	30,504
Change in net position of governmental activities	\$ (7,402)

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

Village of Schoolcraft

Proprietary Funds

Statement of Net Position

February 28, 2019

	Water Fund	Governmental activities - Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 272,604	\$ 227,938
Accounts receivable	63,443	-
Intergovernmental receivable	4,745	-
Prepaid items	1,284	-
Total current assets	342,076	227,938
Noncurrent assets:		
Capital assets, net of accumulated depreciation	1,216,011	74,791
Total assets	\$ 1,558,087	\$ 302,729
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,762	\$ 380
Accrued liabilities	1,931	-
Compensated absences payable	6,604	-
Due to other funds	109	-
Total current liabilities	10,406	380
NET POSITION		
Net investment in capital assets	1,216,011	74,791
Unrestricted	331,670	227,558
Total net position	1,547,681	302,349
Total liabilities and net position	\$ 1,558,087	\$ 302,729

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, 2019

	Water Fund	Governmental activities - Internal Service Fund
Operating revenues:		
Charges for services	\$ 277,714	\$ 64,140
Fees	7,675	-
Total operating revenues	285,389	64,140
Operating expenses:		
Salaries	66,281	-
Payroll taxes	4,990	-
Employee insurance	14,118	-
Retirement	2,515	-
Supplies	11,192	6,068
Contractual services	33,077	-
Insurance	771	-
Printing	930	-
Utilities	10,566	-
Repairs	16,709	14,009
Rent	7,239	-
Education	755	-
Dues and fees	403	-
Depreciation	65,454	16,140
Other	336	-
Total operating expenses	235,336	36,217
Operating income (loss)	50,053	27,923
Nonoperating revenues (expenses):		
Interest	1,043	2,581
State grants	9,745	-
Other miscellaneous	1,982	-
Total nonoperating revenues (expenses)	12,770	2,581
Change in net position	62,823	30,504
Net position-beginning	1,484,858	271,845
Net position-ending	\$ 1,547,681	\$ 302,349

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, 2019

	Water Fund	Governmental activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 273,486	\$ 99,121
Payments to suppliers	(183,097)	(36,446)
Payments to employees	(87,179)	-
Net cash provided by (used for) operating activities	3,210	62,675
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(30,974)	-
Other receipts (payments)	6,982	-
Net cash provided by (used for) capital and related financing activities	(23,992)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	1,043	2,581
Net increase (decrease) in cash and cash equivalents	(19,739)	65,256
Cash and cash equivalents - beginning of year	292,343	162,682
Cash and cash equivalents - end of year	\$ 272,604	\$ 227,938
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 50,053	\$ 27,923
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	65,454	16,140
(Increase) decrease in accounts receivable	(11,904)	-
(Increase) decrease in due from other funds	-	34,981
(Increase) decrease in prepaid items	(561)	-
Increase (decrease) in accounts payable	(1,640)	(253)
Increase (decrease) in accrued liabilities	223	-
Increase (decrease) in compensation absences	720	-
Increase (decrease) in due to other funds	(99,135)	(16,116)
Net cash provided by operating activities	\$ 3,210	\$ 62,675

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, 2019

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, 2019

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 and Local Street Fund are used to account for the maintenance and construction of the Village's street system. These funds account for revenues provided by the State through Act 51.

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

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund type:

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

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 28, 2019

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, 2019

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:

Capital Asset Classes	Lives
Buildings	40 to 60 years
Building improvements	15 to 30 years
Water lines	50 to 75 years
Roads	10 to 30 years
Other infrastructure	10 to 30 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 28, 2019

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, 2019

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, 2019

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, 2019

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:

Fund and Activity	Final Budget	Actual	Excess Expenditures
General Fund			
Manager	\$ 57,670	\$ 59,088	\$ 1,418
Building inspection	11,200	11,795	595
Community development	13,300	13,381	81
Parks and recreation	26,056	28,006	1,950
Downtown Development Fund	37,181	37,720	539

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 28, 2019

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	\$ 1,701,193
Business-type activities	272,604
Total primary government	\$ 1,973,797

The breakdown between deposits and investments is as follows:

	Primary Government
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 1,973,441
Petty cash and cash on hand	356
Total	\$ 1,973,797

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 \$1,987,665, of which \$1,311,819 is covered by federal depository insurance. The remaining \$675,846 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, 2019

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the primary government, for the year ended February 28, 2019, 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:				
Buildings, additions and improvements	1,487,917	-	-	1,487,917
Machinery and equipment	210,464	5,955	67,938	148,481
Furniture	148,283	-	-	148,283
Vehicles	128,708	-	41,175	87,533
Books	35,247	9,662	-	44,909
Infrastructure	877,059	-	-	877,059
Internal service fund	438,505	-	74,259	364,246
Total capital assets, being depreciated	3,326,183	15,617	183,372	3,158,428
Less accumulated depreciation for:				
Buildings, additions and improvements	559,516	34,503	-	594,019
Machinery and equipment	166,049	5,294	67,938	103,405
Furniture	129,746	18,535	-	148,281
Vehicles	78,379	12,133	41,175	49,337
Books	30,041	5,341	-	35,382
Infrastructure	382,119	43,450	-	425,569
Internal service fund	347,574	16,140	74,259	289,455
Total accumulated depreciation	1,693,424	135,396	183,372	1,645,448
Total capital assets being depreciated, net	1,632,759	(119,779)	-	1,512,980
Governmental activities capital assets, net	\$ 1,762,759	\$ (119,779)	\$ -	\$ 1,642,980

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

Governmental Activities:	
General government	\$ 23,966
Public safety	13,051
Public works	39,176
Community and economic development	716
Recreation	42,347
Internal service fund	16,140
Total governmental activities	\$ 135,396

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 28, 2019

Business-type Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, being depreciated:				
Buildings and additions	\$ 1,138,648	\$ 15,973	\$ -	\$ 1,154,621
Machinery and equipment	20,049	-	-	20,049
Water system	1,580,791	15,000	-	1,595,791
Total capital assets being depreciated, net	2,739,488	30,973	-	2,770,461
Less accumulated depreciation for:				
Buildings and additions	600,067	22,772	-	622,839
Machinery and equipment	19,264	98	-	19,362
Water system	869,665	42,584	-	912,249
Total accumulated depreciation	1,488,996	65,454	-	1,554,450
Total capital assets being depreciated, net	1,250,492	(34,481)	-	1,216,011
Business-type activities capital assets, net	\$ 1,250,492	\$ (34,481)	\$ -	\$ 1,216,011

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

Business-type Activities:	
Water	\$ 65,454

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of February 28, 2019 is as follows:

Due to/from other funds:

Receivable Fund	Major Street	Local Street	Water	Total
General	\$ 64	\$ 63	\$ 109	\$ 236

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, 2019

NOTE 6 - LONG-TERM DEBT

Long-term obligation activity, for the year ended February 28, 2019, can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and notes payable:					
General obligation bonds	\$ 490,000	\$ -	\$ 45,000	\$ 445,000	\$ 45,000
Capital lease, Library copier	-	5,955	966	4,989	1,068
Total bonds and notes payable	490,000	5,955	45,966	449,989	46,068
Other liabilities:					
Compensated absences	33,115	8,029	-	41,144	-
Total governmental activities	\$ 523,115	\$ 13,984	\$ 45,966	\$ 491,133	\$ 46,068
Business-type Activities					
Other liabilities:					
Compensated absences	\$ 5,884	\$ 720	\$ -	\$ 6,604	\$ -

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 28, 2019

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%.	\$ 445,000
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Annual debt service requirements to maturity for the above obligation are as follows:

February 28,	Governmental Activities	
	Principal	Interest
2020	\$ 45,000	\$ 10,902
2021	45,000	9,800
2022	50,000	8,698
2023	50,000	7,472
2024	50,000	6,248
2025	50,000	5,022
2026	50,000	3,798
2027	50,000	2,572
2028	55,000	1,348
Totals	\$ 445,000	\$ 55,860

The Village paid \$7,934 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 - CAPITAL LEASES

The Village conducts a portion of its operations with leased equipment. A capital lease for a copier requires monthly payments of \$127 per month through February 2023. The copier held under a capitalized lease is included in the statement of net position with a cost of \$5,955 and accumulated depreciation of \$1,191 as of February 28, 2019. Total expense under this obligation was \$1,518 for the year ended February 28, 2019.

The following is a schedule of annual future minimum lease payments required under the capitalized lease, which had an initial or remaining non-cancelable lease term in excess of one year as of February 28, 2019:

Year Ending	Principal	Interest	Total
2020	\$ 1,068	\$ 451	\$ 1,519
2021	1,179	339	1,518
2022	1,303	216	1,519
2023	1,439	79	1,518
Total minimum payments due	\$ 4,989	\$ 1,085	\$ 6,074

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 28, 2019

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	\$ 26,541	\$ 5,240	\$ 35,525	\$ 67,306

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 and covered employees made contributions of \$18,720 and \$37,889 respectively, for the fiscal year ended February 28, 2019, for a total of \$56,609.

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 28, 2019

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS

The Village has no post-employment benefit plans.

NOTE 12 - 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 \$64,658 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:

<u>At March 31, 2018</u>		<u>Year ended March 31, 2018</u>	
Total Assets	\$ 787,044	Revenues	\$ 687,527
Total Liabilities	\$ 29,163	Expenses	415,274
Total Net Position	757,881	Change in Net Position	\$ 272,253
Total Liabilities and Net Position	\$ 787,044		

NOTE 13 - COMPENSATED ABSENCES

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

NOTE 14 - LAND CONTRACT RECEIVABLE

The Village sold a fire station on a \$110,000 land contract to the South Kalamazoo County Fire Authority. The Authority made monthly payments to the Village of principal and interest of \$696, at 4.50% interest, amortized over 20 years. The Fire Authority paid the balloon payment and land contract has been paid off.

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 28, 2019

NOTE 15 - PROPERTY TAX ABATEMENTS

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

The Village Council has granted property tax abatements. The effect of the abatements is to reduce property tax revenue for the Village's General Fund by approximately \$5,028.

NOTE 16 - SUBSEQUENT EVENTS

Management evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation was performed through July 8, 2019, 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.

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 28, 2019

NOTE 17 - IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued Accounting Pronouncements

In June, 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

In April, 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Required Supplemental Information

Village of Schoolcraft

General Fund

Budgetary Comparison Schedule

For the year ended February 28, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 560,300	\$ 565,900	\$ 564,127	\$ (1,773)
Industrial facility tax	10,800	10,560	5,028	(5,532)
Penalties and interest	-	-	1,139	(1,139)
Property tax administration fee	700	700	208	492
Total taxes	571,800	577,160	570,502	(7,952)
Licenses and permits:				
Business licenses and permits	1,500	1,511	1,511	-
Franchise fees	10,410	10,495	10,492	(3)
Non-business licenses and permits	5,200	12,740	12,671	69
Total licenses and permits	17,110	24,746	24,674	66
State grants:				
Other state grants	6,660	15,980	15,917	(63)
State revenue sharing	146,500	146,500	152,710	6,210
Total state grants	153,160	162,480	168,627	6,147
Charges for services:				
Fees	11,860	14,260	12,886	(1,374)
Services rendered	80	80	57	(23)
Use and admission fees	-	-	-	-
Total charges for services	11,940	14,340	12,943	(1,397)
Interest and rents:				
Interest	4,040	7,140	8,400	1,260
Other revenue:				
Contributions and donations	19,630	21,130	21,123	(7)
Other miscellaneous	250	250	881	631
Total other revenue	19,880	21,380	22,004	624
Total revenues	777,930	807,246	807,150	(1,252)

Village of Schoolcraft

General Fund

Budgetary Comparison Schedule

For the year ended February 28, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
EXPENDITURES				
Current:				
General government:				
Village council	\$ 25,290	\$ 24,510	\$ 24,243	\$ 267
Manager	60,720	57,670	59,088	(1,418)
Clerk	14,520	10,970	10,257	713
Treasurer	53,160	52,390	51,402	988
Buildings and grounds	38,840	38,877	33,047	5,830
Total general government	192,530	184,417	178,037	6,380
Public safety:				
Police	382,240	369,738	369,046	692
Fire	64,570	64,660	64,658	2
Building inspection	6,600	11,200	11,795	(595)
Total public safety	453,410	445,598	445,499	99
Public works:				
Department of public works	119,770	129,911	123,391	6,520
Sanitation	4,630	5,530	5,485	45
Total public works	124,400	135,441	128,876	6,565

Village of Schoolcraft

General Fund

Budgetary Comparison Schedule

For the year ended February 28, 2019

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Community and economic development:				
Planning	\$ 22,560	\$ 22,560	\$ 20,857	\$ 1,703
Zoning	10,620	7,870	397	7,473
Community development	10,000	13,300	13,381	(81)
<u>Total community and economic development</u>	<u>43,180</u>	<u>43,730</u>	<u>34,635</u>	<u>9,095</u>
Recreation and culture:				
Parks and recreation department	22,210	26,056	28,006	(1,950)
Debt service				
Principal	45,000	45,000	45,000	-
Interest	12,010	12,010	12,005	5
<u>Total debt service</u>	<u>57,010</u>	<u>57,010</u>	<u>57,005</u>	<u>5</u>
<u>Total expenditures</u>	<u>892,740</u>	<u>892,252</u>	<u>872,058</u>	<u>20,194</u>
<u>Excess (deficiency) of revenues over expenditures</u>	<u>(114,810)</u>	<u>(85,006)</u>	<u>(64,908)</u>	<u>18,942</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	69,760	69,444	69,331	(113)
Net change in fund balance	(45,050)	(15,562)	4,423	18,829
Fund balance-beginning	804,793	804,793	804,793	-
<u>Fund balance-ending</u>	<u>\$ 759,743</u>	<u>\$ 789,231</u>	<u>\$ 809,216</u>	<u>\$ 18,829</u>

Village of Schoolcraft

Major Street Fund

Budgetary Comparison Schedule

For the year ended February 28, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
State grants	\$ 143,540	\$ 143,330	\$ 148,762	\$ 5,432
Interest	370	580	579	(1)
Total revenues	143,910	143,910	149,341	5,431
EXPENDITURES				
Current:				
Public works:				
Preservation of streets	89,800	86,390	55,264	31,126
Traffic services	32,130	32,130	29,234	2,896
Winter maintenance	8,820	12,230	12,358	(128)
Administration and engineering	3,160	3,160	2,622	538
Total expenditures	133,910	133,910	99,478	34,432
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,000)	(10,000)	-	10,000
Net change in fund balance	-	-	49,863	49,863
Fund balance-beginning	353,340	353,340	353,340	-
Fund balance-ending	\$ 353,340	\$ 353,340	\$ 403,203	\$ 49,863

Village of Schoolcraft

Local Street Fund

Budgetary Comparison Schedule

For the year ended February 28, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
State grants	\$ 45,190	\$ 75,740	\$ 84,221	\$ 8,481
Interest	-	50	21	(29)
Total revenues	45,190	75,790	84,242	8,452
EXPENDITURES				
Current:				
Public works:				
Preservation of streets	30,185	28,985	22,414	6,571
Traffic services	4,575	4,575	3,371	1,204
Winter maintenance	8,210	9,410	9,357	53
Administration and engineering	2,220	2,220	2,251	(31)
Total expenditures	45,190	45,190	37,393	7,797
Net change in fund balance	-	30,600	46,849	16,249
Fund balance-beginning	16,421	16,421	16,421	-
Fund balance-ending	\$ 16,421	\$ 47,021	\$ 63,270	\$ 16,249

Village of Schoolcraft

Downtown Development Authority Fund

Budgetary Comparison Schedule

For the year ended February 28, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 9,300	\$ 17,580	\$ 20,967	\$ 3,387
State grants	1,430	1,150	-	(1,150)
Interest revenue	90	90	66	(24)
Total revenues	10,820	18,820	21,033	2,213
EXPENDITURES				
Current:				
Economic development	36,690	37,181	37,720	(539)
Net change in fund balance	(25,870)	(18,361)	(16,687)	1,674
Fund balance-beginning	74,176	74,176	74,176	-
Fund balance-ending	\$ 48,306	\$ 55,815	\$ 57,489	\$ 1,674

Village of Schoolcraft

Library Fund

Budgetary Comparison Schedule

For the year ended February 28, 2019

	<u>Budgeted Amounts</u>		
	<u>Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes	\$ 155,629	\$ 162,217	\$ 6,588
State grants	4,000	8,924	4,924
Contributions from local units	7,000	7,187	187
Charges for services	2,475	3,189	714
Fines and forfeits	1,300	1,206	(94)
Interest and rents	820	822	2
Other revenue	15,310	19,569	4,259
Total revenues	186,534	203,114	16,580
EXPENDITURES			
Current:			
Library	194,257	186,980	7,277
Debt service:			
Principal	1,019	1,019	-
Interest	552	552	-
Total expenditures	195,828	188,551	7,277
 Net change in fund balances	 (9,294)	 14,563	 23,857
 Fund balances-beginning	 215,027	 215,027	 -
Fund balances-ending	\$ 205,733	\$ 229,590	\$ 23,857

AUDITORS' REPORTS

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July 8, 2019

To the Village Council
Village of Schoolcraft

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Schoolcraft for the year ended February 28, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 9, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 8, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Very truly yours,



Douglas Wohlberg, CPA
Byron Center, Michigan
July 8, 2019

Village of Schoolcraft

Schedule of Findings and Responses

February 28, 2019

NONCOMPLIANCE WITH STATE STATUTES

Finding 2018-1

Expenditures in Excess of Appropriations

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

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

Fund and Activity	Final Budget	Actual	Excess Expenditures
General Fund			
Manager	\$ 57,670	\$ 59,088	\$ 1,418
Building inspection	11,200	11,795	595
Community development	13,300	13,381	81
Parks and recreation	26,056	28,006	1,950
Downtown Development Fund	37,181	37,720	539

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

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

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

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