

Village of Schoolcraft

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Year Ended February 29, 2020

Village of Schoolcraft

Table of Contents

February 29, 2020

Independent Auditor's Report	1
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Governmental Funds	
Balance Sheet	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Funds	
Statement of Net Position	16
Statement of Revenues, Expenses and Changes in Net Position	17
Statement of Cash Flows	18
NOTES TO FINANCIAL STATEMENTS	20
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedules	
General Fund	36
Major Street Fund	39
Local Street Fund	40
Downtown Development Authority Fund	41
Library Fund	42
AUDITORS' REPORTS	43

2496 84th Street SW
Byron Center, MI 49315
Phone (616) 583-0094

Email: doug@wohlbergcpa.com

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 29, 2020, 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 29, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

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

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

Douglas Wohlberg, CPA
Byron Center, Michigan
July 20, 2020

Village of Schoolcraft

Management's Discussion and Analysis

For the year ended February 29, 2020

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 \$167,927 from a year ago, from \$4,486,221 to \$4,654,148.

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 \$27,487 to \$967,628. This represents a decrease of approximately 3%. The current level of unrestricted net position for our governmental activities is about 80% 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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets:						
Current assets	\$ 1,958,057	\$ 1,838,003	\$ 267,847	\$ 341,967	\$ 2,225,904	\$ 2,179,970
Noncurrent assets	1,579,936	1,642,980	1,372,123	1,216,011	2,952,059	2,858,991
Total assets	3,537,993	3,480,983	1,639,970	1,557,978	5,177,963	5,038,961
Liabilities:						
Long-term debt outstanding	443,534	491,133	8,547	6,604	452,081	497,737
Other liabilities	66,972	51,310	4,762	3,693	71,734	55,003
Total liabilities	510,506	542,443	13,309	10,297	523,815	552,740
Net position:						
Net investment in capital assets	1,176,015	1,192,991	1,372,123	1,216,011	2,548,138	2,409,002
Restricted	883,844	750,434	-	-	883,844	750,434
Unrestricted	967,628	995,115	254,538	331,670	1,222,166	1,326,785
Total net position	\$ 3,027,487	\$ 2,938,540	\$ 1,626,661	\$ 1,547,681	\$ 4,654,148	\$ 4,486,221

Village of Schoolcraft

Management's Discussion and Analysis

For the year ended February 29, 2020

The following table shows the changes of net position as of February 29, 2020.

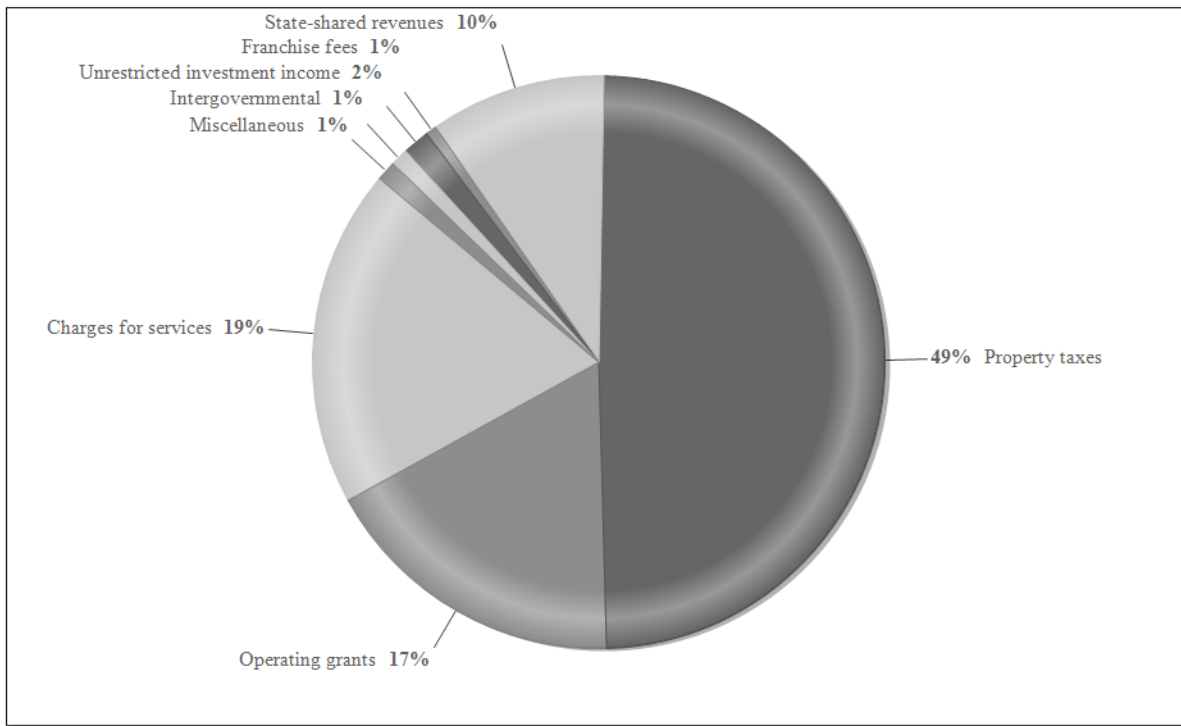
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program revenues						
Charges for services	\$ 21,110	\$ 40,846	\$ 285,024	\$ 285,389	\$ 306,134	\$ 326,235
Operating grants	277,272	351,539	-	9,745	277,272	361,284
General revenues						
Property taxes	786,783	753,686	-	-	786,783	753,686
State-shared revenues	158,313	152,710	-	-	158,313	152,710
Franchise fees	10,335	10,492	-	-	10,335	10,492
Unrestricted investment income	22,002	12,467	2,507	1,043	24,509	13,510
Intergovernmental	15,962	8,546	-	-	15,962	8,546
Miscellaneous	705	1,311	16,658	1,982	17,363	3,293
Total revenues	1,292,482	1,331,597	304,189	298,159	1,596,671	1,629,756
Expenses						
General government	205,479	210,028	-	-	205,479	210,028
Public safety	438,831	458,551	-	-	438,831	458,551
Public works	278,952	341,140	-	-	278,952	341,140
Community and economic development	51,401	73,071	-	-	51,401	73,071
Recreation and culture	217,884	247,724	-	-	217,884	247,724
Interest on long-term debt	10,988	8,486	-	-	10,988	8,486
Water Fund	-	-	225,209	235,336	225,209	235,336
Total expenses	1,203,535	1,339,000	225,209	235,336	1,428,744	1,574,336
Change in net position	88,947	(7,403)	78,980	62,823	167,927	55,420
Net position-beginning	2,938,540	2,945,943	1,547,681	1,484,858	4,486,221	4,430,801
Net position-ending	\$ 3,027,487	\$ 2,938,540	\$ 1,626,661	\$ 1,547,681	\$ 4,654,148	\$ 4,486,221

Village of Schoolcraft

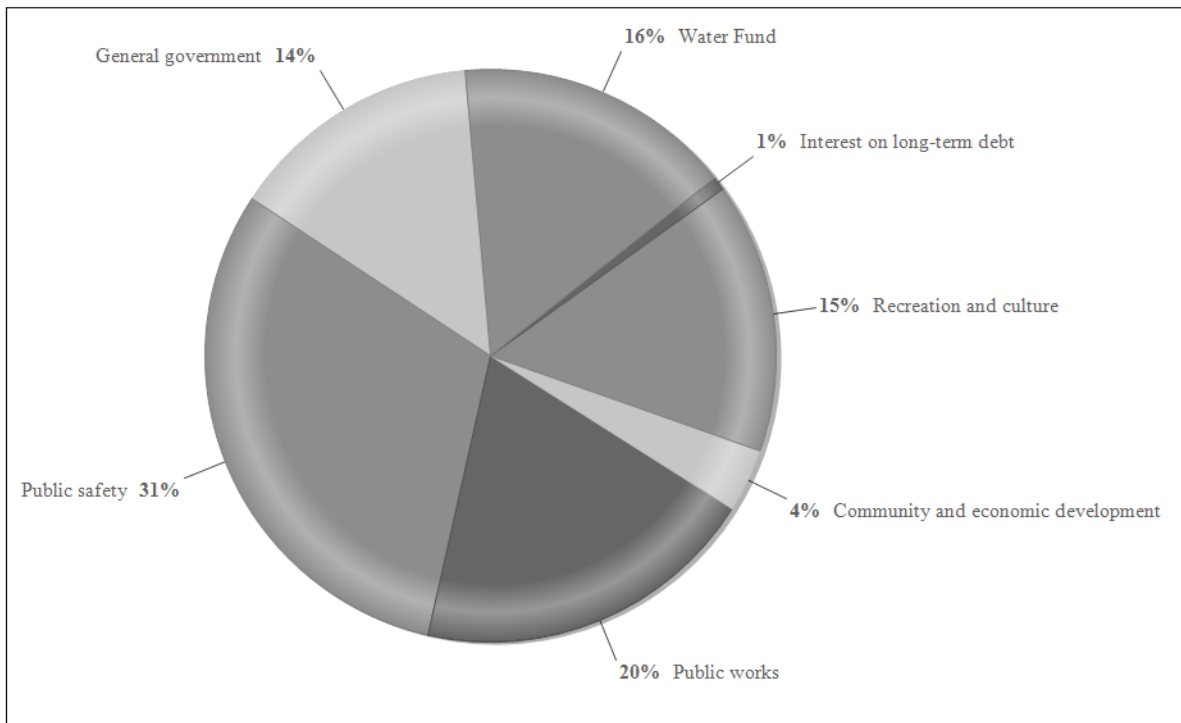
Management's Discussion and Analysis

For the year ended February 29, 2020

The following chart illustrates the sources of the Village's revenue.



The following chart illustrates the Village's expenses.



Village of Schoolcraft

Management's Discussion and Analysis

For the year ended February 29, 2020

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 \$1,703,315, an increase of \$140,547 from the prior year. Of the \$1,703,315, \$815,938 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 \$797,033. 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 97% of total General Fund expenditures of \$819,474. The fund balance of the Village's General Fund increased by \$6,722 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 \$498,193, an increase of \$94,990 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 \$83,782, an increase of \$20,512 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 \$53,847, a decrease of \$3,642 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 \$251,555, a increase of \$21,965 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 \$254,538. The Water Fund had an increase in net position for the year of \$78,980.

The Village's Governmental Fund Budgets

The most significant amendments to the budgets of the Village's governmental funds follow. In the General Fund, the contributions revenue budget was increased by approximately \$4,000 to reflect contributions made by Village Council members. The sale of capital asset revenue was decreased by \$30,000; the anticipated sale of assets did not take place. The zoning expenditure budget was increased by approximately \$7,000 to reflect work performed to update the Villages zoning ordinances.

The budget for property tax revenue in the Downtown Development Fund was increased by \$8,000 to reflect greater than expected capture of property taxes by other municipalities.

Village of Schoolcraft

Management's Discussion and Analysis

For the year ended February 29, 2020

Capital Asset and Debt Administration

At the end of 2020, the Village had \$2,952,059, 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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 130,000	\$ 130,000	\$ -	\$ -	\$ 130,000	\$ 130,000
Construction in progress	6,620	-	-	-	6,620	-
Buildings and improvements	859,595	893,898	520,439	531,782	1,380,034	1,425,680
Machinery and equipment	38,522	45,076	589	687	39,111	45,763
Furniture	2	2	-	-	2	2
Vehicles	30,017	38,196	-	-	30,017	38,196
Books	14,058	9,527	-	-	14,058	9,527
Infrastructure	408,048	451,490	-	-	408,048	451,490
Internal service fund	93,074	74,791	-	-	93,074	74,791
Water system	-	-	851,095	683,542	851,095	683,542
Total capital assets	\$ 1,579,936	\$ 1,642,980	\$ 1,372,123	\$ 1,216,011	\$ 2,952,059	\$ 2,858,991

Major additions this year include the following:

Library books	\$ 10,325
Engineering for the Angell Street Project	6,620
Redundant water main	226,400
Leaf collector	36,400

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	\$ 445,000	\$ -	\$ 45,000	\$ 400,000
Capital Lease - copier	4,989	-	1,068	3,921
Total governmental activities	\$ 449,989	\$ -	\$ 46,068	\$ 403,921

Village of Schoolcraft

Management's Discussion and Analysis

For the year ended February 29, 2020

Economic Factors and Next Year's Budgets and Rates

The Village's General Fund fund balance is healthy, but in recent years it has been decreasing. While revenues had been increasing slowly over the years, expenditures had been increasing more quickly. The Village Council and management were aware of this. While the Village Council and management have little control over revenues, they have been working to understand what has been causing the more rapid increase in expenditures. In the year ended February 29, 2020, the Council and management implemented changes that resulted in an increase in the General Fund fund balance of \$6,722. These changes allowed the Village to maintain the health of the General Fund while continuing to provide a high level of service to the Village residents.

Water and Ready-To-Serve rates are adjusted as needed to comply with the Asset Management Plan required by the State of Michigan. In order to upgrade and install required water infrastructure, the Village's ready-to-serve rates were analyzed and an increase was approved to support the proposed 10 year debt service of approximately \$501,000. During the fiscal year ending February 29, 2020, the Village added a redundant water main to its water system.

The Village received a 50% matching grant from the Michigan Department of Treasury to widen Angell Street here in the Village, in our industrial park. Engineering on that project was completed during the year.

Funds are set aside through an equipment rental fund so that the Village is able to purchase capital items, such as heavy equipment vehicles, and to provide for the repair and maintenance of these items. During the year, the Village's Equipment Fund purchased a leaf collector costing approximately \$36,000.

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

Contacting the Village's Management

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Village of Schoolcraft

Statement of Net Position

February 29, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,789,420	\$ 197,444	\$ 1,986,864
Receivables, net	79,333	68,501	147,834
Intergovernmental receivable	66,866	-	66,866
Prepays	22,438	1,902	24,340
Land	130,000	-	130,000
Construction in progress	6,620	-	6,620
Capital assets, net of accumulated depreciation	1,443,316	1,372,123	2,815,439
Total assets	\$ 3,537,993	\$ 1,639,970	\$ 5,177,963
LIABILITIES			
Accounts payable	\$ 8,240	\$ 1,464	\$ 9,704
Accrued liabilities	32,749	3,298	36,047
Unavailable revenue	25,983	-	25,983
Noncurrent liabilities:			
Due within one year	46,179	-	46,179
Due in more than one year	357,742	-	357,742
Compensated absences	39,613	8,547	48,160
Total liabilities	510,506	13,309	523,815
NET POSITION			
Net investment in capital assets	1,176,015	1,372,123	2,548,138
Restricted for:			
Streets	578,572	-	578,572
Library	251,555	-	251,555
Community development	53,717	-	53,717
Unrestricted	967,628	254,538	1,222,166
Total net position	3,027,487	1,626,661	4,654,148
Total liabilities and net position	\$ 3,537,993	\$ 1,639,970	\$ 5,177,963

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

Village of Schoolcraft

Statement of Activities

For the year ended February 29, 2020

	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	\$ 205,479	\$ -	\$ 3,902	\$ (201,577)	\$ -	\$ (201,577)
Public safety	438,831	7,779	12,980	(418,072)	-	(418,072)
Public works	278,952	-	236,669	(42,283)	-	(42,283)
Community and economic development	51,401	-	-	(51,401)	-	(51,401)
Recreation and culture	217,884	13,331	23,721	(180,832)	-	(180,832)
Interest on long-term debt	10,988	-	-	(10,988)	-	(10,988)
Total governmental activities	1,203,535	21,110	277,272	(905,153)	-	(905,153)
Business-type activities:						
Water	225,209	285,024	-	-	59,815	59,815
Total primary government	\$ 1,428,744	\$ 306,134	\$ 277,272	(905,153)	59,815	(845,338)
General revenues:						
Property taxes				786,783	-	786,783
State shared revenue				158,313	-	158,313
Franchise fees				10,335	-	10,335
Unrestricted investment income				22,002	2,507	24,509
Intergovernmental				15,962	-	15,962
Miscellaneous				705	16,658	17,363
Total general revenues and transfers				994,100	19,165	1,013,265
Change in net position				88,947	78,980	167,927
Net position-beginning				2,938,540	1,547,681	4,486,221
Net position-ending				\$ 3,027,487	\$ 1,626,661	\$ 4,654,148

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

Village of Schoolcraft

Governmental Funds

Balance Sheet

February 29, 2020

	General	Major Street	Local Street	DDA	Library	Total
ASSETS						
Cash and cash equivalents	\$ 807,214	\$ 467,916	\$ 73,534	\$ 46,326	\$ 203,147	\$ 1,598,137
Receivables, net	20,236	-	-	8,136	50,961	79,333
Intergovernmental receivable	25,983	31,103	9,780	-	-	66,866
Prepays	18,905	1,937	1,466	130	-	22,438
Total assets	\$ 872,338	\$ 500,956	\$ 84,780	\$ 54,592	\$ 254,108	\$ 1,766,774
LIABILITIES						
Accounts payable	\$ 5,784	\$ 1,863	\$ 281	\$ 65	\$ -	\$ 7,993
Accrued liabilities	15,883	900	717	680	2,553	20,733
Performance bonds payable	8,750	-	-	-	-	8,750
Total liabilities	30,417	2,763	998	745	2,553	37,476
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-state revenue	25,983	-	-	-	-	25,983
FUND BALANCES						
Nonspendable:						
Prepaid items	18,905	1,937	1,466	130	-	22,438
Restricted for:						
Streets	-	496,256	82,316	-	-	578,572
Library	-	-	-	-	251,555	251,555
Community development	-	-	-	53,717	-	53,717
Unassigned	797,033	-	-	-	-	797,033
Total fund balances	815,938	498,193	83,782	53,847	251,555	1,703,315
Total liabilities, deferred inflows of resources and fund balances	\$ 872,338	\$ 500,956	\$ 84,780	\$ 54,592	\$ 254,108	\$ 1,766,774

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 29, 2020

Total fund balances - governmental funds	\$ 1,703,315
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.	1,486,862
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.	284,110
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 29, 2020 were:	
Long-term debt	(403,921)
Accrued interest	(3,266)
Compensated absences	(39,613)
Net position of governmental activities	\$ 3,027,487

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

Village of Schoolcraft

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 29, 2020

	General	Major Street	Local Street	DDA	Library	Total
REVENUES						
Taxes	\$ 594,318	\$ -	\$ -	\$ 25,027	\$ 167,439	\$ 786,784
Licenses and permits	19,360	-	-	-	-	19,360
State grants	181,002	166,959	52,498	-	6,441	406,900
Contributions from local units	-	-	-	-	7,979	7,979
Charges for services	12,637	-	-	-	2,627	15,264
Fines and forfeits	-	-	-	-	993	993
Interest and rents	14,698	824	31	1,509	1,119	18,181
Other revenue	4,181	-	-	-	18,535	22,716
Total revenues	826,196	167,783	52,529	26,536	205,133	1,278,177
EXPENDITURES						
Current:						
General government	183,047	-	-	-	-	183,047
Public safety	429,733	-	-	-	-	429,733
Public works	108,615	72,793	32,017	-	-	213,425
Community and economic development	20,507	-	-	30,178	-	50,685
Recreation and culture	21,669	-	-	-	181,561	203,230
Debt service	55,903	-	-	-	1,607	57,510
Total expenditures	819,474	72,793	32,017	30,178	183,168	1,137,630
Net change in fund balances	6,722	94,990	20,512	(3,642)	21,965	140,547
Fund balances-beginning	809,216	403,203	63,270	57,489	229,590	1,562,768
Fund balances-ending	\$ 815,938	\$ 498,193	\$ 83,782	\$ 53,847	\$ 251,555	\$ 1,703,315

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 29, 2020

Net change in fund balances - total governmental funds	\$	140,547
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		16,945
Deduct--Depreciation expense		(98,272)
Increase in compensated absences		1,531
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		46,068
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		367
An internal service fund is used by management to charge the cost of equipment and vehicles to individual funds. The net revenue of internal service funds is reported with governmental activities.		(18,239)
Change in net position of governmental activities	\$	88,947

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

Village of Schoolcraft

Proprietary Funds

Statement of Net Position

February 29, 2020

	Water Fund	Governmental activities - Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 197,444	\$ 191,283
Accounts receivable	68,501	-
Prepaid items	1,902	-
Total current assets	267,847	191,283
Noncurrent assets:		
Capital assets, net of accumulated depreciation	1,372,123	93,074
Total assets	\$ 1,639,970	\$ 284,357
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,464	\$ 247
Accrued liabilities	3,298	-
Compensated absences payable	8,547	-
Total current liabilities	13,309	247
NET POSITION		
Net investment in capital assets	1,372,123	93,074
Unrestricted	254,538	191,036
Total net position	1,626,661	284,110
Total liabilities and net position	\$ 1,639,970	\$ 284,357

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 29, 2020

	Water Fund	Governmental activities - Internal Service Fund
Operating revenues:		
Charges for services	\$ 277,394	\$ 10,485
Fees	7,630	-
Total operating revenues	285,024	10,485
Operating expenses:		
Salaries	66,048	-
Payroll taxes	4,953	-
Employee insurance	14,040	-
Retirement	2,129	-
Supplies	8,678	5,064
Contractual services	32,156	-
Insurance	636	-
Printing	868	-
Utilities	9,814	-
Repairs	11,569	9,346
Rent	1,499	-
Education	510	-
Depreciation	70,287	18,134
Other	2,022	-
Total operating expenses	225,209	32,544
Operating income (loss)	59,815	(22,059)
Nonoperating revenues (expenses):		
Interest	2,507	3,820
Miscellaneous	16,658	-
Total nonoperating revenues (expenses)	19,165	3,820
Change in net position	78,980	(18,239)
Net position-beginning	1,547,681	302,349
Net position-ending	\$ 1,626,661	\$ 284,110

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 29, 2020

	Water Fund	Governmental activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 279,966	\$ 10,485
Payments to suppliers	(67,410)	(14,543)
Payments to employees	(85,227)	-
Net cash provided by (used for) operating activities	127,329	(4,058)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(226,399)	(36,417)
Other receipts (payments)	21,403	-
Net cash provided by (used for) capital and related financing activities	(204,996)	(36,417)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	2,507	3,820
Net increase (decrease) in cash and cash equivalents	(75,160)	(36,655)
Cash and cash equivalents - beginning of year	272,604	227,938
Cash and cash equivalents - end of year	\$ 197,444	\$ 191,283
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 59,815	\$ (22,059)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	70,287	18,134
(Increase) decrease in accounts receivable	(5,058)	-
(Increase) decrease in prepaid items	(618)	-
Increase (decrease) in accounts payable	(298)	(133)
Increase (decrease) in accrued liabilities	1,367	-
Increase (decrease) in compensation absences	1,943	-
Increase (decrease) in due to other funds	(109)	-
Net cash provided by operating activities	\$ 127,329	\$ (4,058)

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 29, 2020

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 29, 2020

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 29, 2020

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 29, 2020

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
Sidewalks	10 to 30 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years
Books	5 Years

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 29, 2020

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 29, 2020

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 29, 2020

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 29, 2020

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			
Council	\$ 25,800	\$ 25,825	\$ 25
Manager	59,503	60,664	1,161

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 29, 2020

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	\$ 1,789,420
Business-type activities	197,444
Total primary government	\$ 1,986,864

The breakdown between deposits and investments is as follows:

	Primary Government
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 1,986,508
Petty cash and cash on hand	356
Total	\$ 1,986,864

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 \$2,008,584, of which \$1,234,721 is covered by federal depository insurance. The remaining \$773,863 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 29, 2020

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the primary government, for the year ended February 29, 2020, was as follows:

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 130,000	\$ -	\$ -	\$ 130,000
Construction in progress	-	6,620	-	6,620
Capital assets, being depreciated:				
Buildings, additions and improvements	1,487,917	-	-	1,487,917
Machinery and equipment	148,481	-	-	148,481
Furniture	148,283	-	-	148,283
Vehicles	87,533	-	-	87,533
Books	44,909	10,325	8,686	46,548
Infrastructure	877,059	-	-	877,059
Internal service fund	364,246	36,417	8,400	392,263
Total capital assets, being depreciated	3,158,428	46,742	17,086	3,188,084
Less accumulated depreciation for:				
Buildings, additions and improvements	594,019	34,303	-	628,322
Machinery and equipment	103,405	6,554	-	109,959
Furniture	148,281	-	-	148,281
Vehicles	49,337	8,179	-	57,516
Books	35,382	5,794	8,686	32,490
Infrastructure	425,569	43,442	-	469,011
Internal service fund	289,455	18,134	8,400	299,189
Total accumulated depreciation	1,645,448	116,406	17,086	1,744,768
Total capital assets being depreciated, net	1,512,980	(69,664)	-	1,443,316
Governmental activities capital assets, net	\$ 1,642,980	\$ (63,044)	\$ -	\$ 1,579,936

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

Governmental Activities:	
General government	\$ 23,964
Public safety	9,097
Public works	39,603
Community and economic development	716
Recreation	24,892
Internal service fund	18,134
Total governmental activities	\$ 116,406

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 29, 2020

Business-type Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, being depreciated:				
Buildings and additions	\$ 1,154,621	\$ 15,235	\$ -	\$ 1,169,856
Machinery and equipment	20,049	-	-	20,049
Water system	1,595,791	211,164	-	1,806,955
Total capital assets being depreciated, net	2,770,461	226,399	-	2,996,860
Less accumulated depreciation for:				
Buildings and additions	624,437	24,980	-	649,417
Machinery and equipment	19,362	98	-	19,460
Water system	910,651	45,209	-	955,860
Total accumulated depreciation	1,554,450	70,287	-	1,624,737
Total capital assets being depreciated, net	1,216,011	156,112	-	1,372,123
Business-type activities capital assets, net	\$ 1,216,011	\$ 156,112	\$ -	\$ 1,372,123

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

Business-type Activities:	
Water	\$ 70,287

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 29, 2020

NOTE 5 - LONG-TERM DEBT

Long-term obligation activity, for the year ended February 29, 2020, can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and notes payable:					
General obligation bonds	\$ 445,000	\$ -	\$ 45,000	\$ 400,000	\$ 45,000
Capital lease, Library copier	4,989	-	1,068	3,921	1,179
Total bonds and notes payable	449,989	-	46,068	403,921	46,179
Other liabilities:					
Compensated absences	41,144	-	1,531	39,613	-
Total governmental activities	\$ 491,133	\$ -	\$ 47,599	\$ 443,534	\$ 46,179
Business-type Activities					
Other liabilities:					
Compensated absences	\$ 6,603	\$ 1,944	\$ -	\$ 8,547	\$ -

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 29, 2020

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%.	\$	400,000
---	----	---------

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

February 28,	Governmental Activities	
	Principal	Interest
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	\$ 400,000	\$ 44,958

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 6 - 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 \$2,382 as of February 29, 2020. Total expense under this obligation was \$1,068 for the year ended February 29, 2020.

The following is a schedule of annual future minimum lease payments required under the lease, which had an initial or remaining non-cancelable lease term in excess of one year as of February 29, 2020:

Year Ending	Principal	Interest	Total
2021	\$ 1,179	\$ 339	\$ 1,518
2022	1,303	216	1,519
2023	1,439	79	1,518
Total minimum payments due	\$ 3,921	\$ 634	\$ 4,555

Village of Schoolcraft

Notes to Financial Statements

For the year ended February 29, 2020

NOTE 7 - RECEIVABLES

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

Receivables, net	General	DDA	Library	Total
Accounts	\$ 321	\$ -	\$ -	\$ 321
Taxes	18,949	8,136	50,961	78,046
Interest receivable	966	-	-	966
Net receivables	\$ 20,236	\$ 8,136	\$ 50,961	\$ 79,333

NOTE 8 - 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 9 - 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 \$18,159 for the fiscal year ended February 29, 2020.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

The Village has no post-employment benefit plans.

NOTE 11 - 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 29, 2020

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 \$61,952 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, 2019</u>		<u>Year ended March 31, 2019</u>	
Total Assets	\$ 1,665,356	Revenues	\$ 684,428
Total Liabilities	\$ 162,160	Expenses	476,934
Total Net Position	1,503,196	Change in Net Position	\$ 207,494
Total Liabilities and Net Position	\$ 1,665,356		

NOTE 13 - 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 \$4,506.

NOTE 14 - 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 20, 2020, the date the financial statements were approved for issuance. There were no subsequent events that should be accounted for or require disclosure in the accompanying financial statements.

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

Required Supplemental Information

Village of Schoolcraft

General Fund

Budgetary Comparison Schedule

For the year ended February 29, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 585,746	\$ 612,101	\$ 593,352	\$ (18,749)
Penalties and interest	-	-	966	(966)
Total taxes	585,746	612,101	594,318	(19,715)
Licenses and permits:				
Business licenses and permits	1,500	1,530	1,529	(1)
Franchise fees	10,400	10,400	10,335	(65)
Non-business licenses and permits	9,000	7,600	7,496	104
Total licenses and permits	20,900	19,530	19,360	38
State grants:				
Other state grants	6,800	22,800	22,689	(111)
State revenue sharing	157,276	185,276	158,313	(26,963)
Total state grants	164,076	208,076	181,002	(27,074)
Charges for services:				
Fees	11,000	13,600	12,354	(1,246)
Services rendered	80	355	283	(72)
Total charges for services	11,080	13,955	12,637	(1,318)
Interest and rents:				
Interest	3,650	5,880	14,698	8,818
Other revenue:				
Contributions and donations	-	3,910	3,902	(8)
Miscellaneous	250	250	279	29
Total other revenue	250	4,160	4,181	21
Total revenues	785,702	863,702	826,196	(39,230)

Village of Schoolcraft

General Fund

Budgetary Comparison Schedule

For the year ended February 29, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
EXPENDITURES				
Current:				
General government:				
Village council	\$ 18,220	\$ 25,800	\$ 25,825	\$ (25)
Manager	54,658	59,503	60,664	(1,161)
Clerk	17,788	11,588	7,373	4,215
Treasurer	54,030	56,119	56,095	24
Buildings and grounds	39,873	39,873	33,090	6,783
Total general government	184,569	192,883	183,047	9,836
Public safety:				
Police	374,837	363,468	360,886	2,582
Fire	61,714	61,954	61,952	2
Building inspection	8,500	8,500	6,895	1,605
Total public safety	445,051	433,922	429,733	4,189
Public works:				
Department of public works	116,599	106,709	100,444	6,265
Sanitation	6,000	8,175	8,171	4
Total public works	122,599	114,884	108,615	6,269

Village of Schoolcraft

General Fund

Budgetary Comparison Schedule

For the year ended February 29, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
Community and economic development:				
Planning	\$ 22,300	\$ 22,300	\$ 1,131	\$ 21,169
Zoning	355	7,450	7,445	5
Community development	10,933	14,368	11,931	2,437
Total community and economic development	33,588	44,118	20,507	23,611
Recreation and culture:				
Parks and recreation department	26,440	26,440	21,669	4,771
Debt service				
Principal	45,000	45,000	45,000	-
Interest	10,903	10,903	10,903	-
Total debt service	55,903	55,903	55,903	-
Total expenditures	868,150	868,150	819,474	48,676
Excess (deficiency) of revenues over expenditures	(82,448)	(4,448)	6,722	9,446
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	30,000	-	-	-
Net change in fund balance	(52,448)	(4,448)	6,722	9,446
Fund balance-beginning	809,216	809,216	809,216	-
Fund balance-ending	\$ 756,768	\$ 804,768	\$ 815,938	\$ 9,446

Village of Schoolcraft

Major Street Fund

Budgetary Comparison Schedule

For the year ended February 29, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
State grants	\$ 145,000	\$ 166,217	\$ 166,959	\$ 742
Interest	500	830	824	(6)
Total revenues	145,500	167,047	167,783	736
EXPENDITURES				
Current:				
Public works:				
Preservation of streets	132,476	131,976	34,153	97,823
Traffic services	34,427	34,427	25,250	9,177
Winter maintenance	8,900	8,900	7,663	1,237
Administration and engineering	5,236	5,736	5,727	9
Total expenditures	181,039	181,039	72,793	108,246
Net change in fund balance	(35,539)	(13,992)	94,990	108,982
Fund balance-beginning	403,203	403,203	403,203	-
Fund balance-ending	\$ 367,664	\$ 389,211	\$ 498,193	\$ 108,982

Village of Schoolcraft

Local Street Fund

Budgetary Comparison Schedule

For the year ended February 29, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
State grants	\$ 48,000	\$ 52,475	\$ 52,498	\$ 23
Interest	10	35	31	(4)
Total revenues	48,010	52,510	52,529	19
EXPENDITURES				
Current:				
Public works:				
Preservation of streets	39,729	38,649	17,264	21,385
Traffic services	5,424	5,424	2,838	2,586
Winter maintenance	8,162	8,162	6,689	1,473
Administration and engineering	4,263	5,343	5,226	117
Total expenditures	57,578	57,578	32,017	25,561
Net change in fund balance	(9,568)	(5,068)	20,512	25,580
Fund balance-beginning	63,270	63,270	63,270	-
Fund balance-ending	\$ 53,702	\$ 58,202	\$ 83,782	\$ 25,580

Village of Schoolcraft

Downtown Development Authority Fund

Budgetary Comparison Schedule

For the year ended February 29, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 15,000	\$ 23,000	\$ 25,027	\$ 2,027
State grants	1,430	10	-	(10)
Interest revenue	85	1,509	1,509	-
Total revenues	16,515	24,519	26,536	2,017
EXPENDITURES				
Current:				
Economic development	35,382	35,382	30,178	5,204
Net change in fund balance	(18,867)	(10,863)	(3,642)	7,221
Fund balance-beginning	57,489	57,489	57,489	-
Fund balance-ending	\$ 38,622	\$ 46,626	\$ 53,847	\$ 7,221

Village of Schoolcraft

Library Fund

Budgetary Comparison Schedule

For the year ended February 29, 2020

	<u>Budgeted Amounts</u>		
	<u>Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes	\$ 164,711	\$ 167,439	\$ 2,728
State grants	4,400	6,441	2,041
Contributions from local units	7,000	7,979	979
Charges for services	2,900	2,627	(273)
Fines and forfeits	1,300	993	(307)
Interest and rents	820	1,119	299
Other revenue	14,550	18,535	3,985
Total revenues	195,681	205,133	9,452
EXPENDITURES			
Current:			
Library	196,979	181,561	15,418
Debt service:			
Principal	1,099	1,156	(57)
Interest	451	451	-
Total expenditures	198,529	183,168	15,361
 Net change in fund balances	 (2,848)	 21,965	 24,813
 Fund balances-beginning	 229,590	 229,590	 -
Fund balances-ending	\$ 226,742	\$ 251,555	\$ 24,813

AUDITORS' REPORTS

2496 84th Street SW
Byron Center, MI 49315
Phone (616) 583-0094
Fax (866) 569-0725
Email: doug@wohlbergcpa.com

July 20, 2020

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 29, 2020. 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 April 8, 2020. 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 20, 2020.

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.

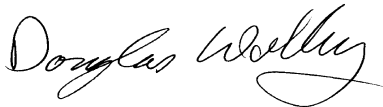
Other Matters

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 20, 2020

Village of Schoolcraft

Schedule of Findings and Responses

February 29, 2020

NONCOMPLIANCE WITH STATE STATUTES

Finding 2020-1
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:

<u>Fund and Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General Fund			
Council	\$ 25,800	\$ 25,825	\$ 25
Manager	59,503	60,664	1,161

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.