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TOWNSHIP OF STANDISH
ARENAC COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED MARCH 31, 2021

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AUDITORS' REPORT

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September 30, 2021

Independent Auditors' Report

Members of the Township Board
Township of Standish
Arenac County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Standish, Arenac County, Michigan, as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the index.

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.

Auditors' 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 auditors' 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, each major fund, and the aggregate remaining fund information of the Township of Standish, Arenac County, Michigan, as of March 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 of the financial statements, the Township of Standish has implemented GASB Statement No. 84, "Fiduciary Activities", as of March 31, 2021. Our opinion is unmodified with respect to this matter.

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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Standish's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Stephenson & Company, P.C.

STANDISH TOWNSHIP
ARENAC COUNTY
4997 Arenac State Road
P.O. Box 472
Standish, MI 48658

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Township of Standish's (the Township) financial performance provides an overview of the Township's financial activities for the year ended March 31, 2021. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. The discussion focuses on the Township's primary government.

Financial Highlights

- The Township's assets exceeded its liabilities and deferred inflows of resources by \$1,339,599.
- The Township's total net position decreased by \$39,863 due to expenses exceeding revenues in various areas. The most significant change from the prior year's activities was increased expenditures in the Sewer and Water funds as the Township moved closer to beginning construction on the Water and Sewer Main Project.
- The Township's governmental funds reported a combined ending fund balance of \$1,349,239 this year, an increase of \$75,544. Of this amount, \$1,014,271 is available for spending (*unassigned fund balance*) on behalf of its citizens. The Township's General Fund 2021 year end *fund balance* is \$1,135,103.

Overview of the Financial Statements

The financial statements are organized so the reader can understand the Township as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The Township's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The *statement of net position* and the *statement of activities* display information about the Township as a whole. These statements include the financial activities of the primary government except for its fiduciary fund. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for services.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township with certain limited exceptions. The comparisons of direct expenses with program revenues identifies the extent to which each governmental program activity is self-financing or draws from the general revenues of the Township.

With this report, all capital assets are listed for the Township of Standish. These assets are comprised of infrastructure, buildings, machinery and equipment, and land owned by the Township. These assets total over \$624,000. Township management and staff performed an inventory and evaluation of assets over \$1,800 and categorized a depreciation schedule for assets not fully depreciated.

Fund Financial Statements

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: *Governmental*, *Proprietary*, and *Fiduciary*.

Governmental Funds:

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

- General Fund – This fund accounts for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state revenue.
- Garbage Collection Fund – This fund is used to account for a special assessment levy for the purpose of providing garbage and rubbish collection in the Township.
- Fire Fund – This fund is used to account for the receipt and expenditure of property taxes for fire protection.
- Road Fund – This fund is used to account for the receipt and expenditure of property taxes for road projects.

The General Fund fund balance increased by \$98,430 due to revenues exceeding expenditures in the current year. Public works expenditures decreased by \$60,402 due to road projects being financed primarily by the Road Fund in the current year.

The Road Fund fund balance decreased by \$48,996 as a result of road projects charged to the fund exceeding tax revenue.

The Fire Fund fund balance increased by \$34,877 with no significant changes in activity.

The Garbage Collection Fund did not experience a significant change in fund balance.

The aggregate remaining funds experienced a \$10,436 decrease in combined fund balance. Activity was generally consistent with prior years. The Sandy Drive Debt Fund paid off the balance of its loan in the current year.

Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

The Township's enterprise funds may be used to account for any activity for which a fee is charged to external users (citizens) for goods and services. The following are the Township's major enterprise funds:

- Sewer Fund – This fund is maintained to account for operations of the Township's sewer system. In the future, this fund will reflect the maintenance and operation of the sewer system in the Township of Standish. Revenues required to operate the system will be derived primarily from user fees. Currently, the Township is in the planning and engineering stages for construction on the utility system.
- Water Fund - This fund is maintained to account for operations of the Township's water system. In the future, this fund will reflect the maintenance and operation of the water system in the Township of Standish. Revenues required to operate the system will be derived primarily from user fees. Currently, the Township is in the planning and engineering stages for construction on the utility system.

The Sewer Fund's net position decreased \$64,564 as a result of costs related to the issuance and maintenance of debt incurred in financing the engineering of the construction project. The Water Fund experienced an identical decrease for the same reason.

Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The Township’s fiduciary fund accounts for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for taxes and fines and forfeitures collected and distributed to other political subdivisions.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on the Township *government-wide* and *fund* financial statements.

Government -Wide Financial Analysis

Summary of Net Position:

The following summarizes the net position of the Township of Standish at March 31, 2021 and 2020:

	<u>Governmental</u>	<u>Business-Type</u>	<u>March 31, 2021</u>	<u>March 31, 2020</u>
	<u>Activities</u>	<u>Activities</u>		
Current Assets	\$ 1,563,932	\$ (6,732)	\$ 1,557,200	\$ 1,499,261
Restricted Assets	38,300	0	38,300	28,767
Other Noncurrent Assets	15,453	0	15,453	30,907
Capital Assets – Net	<u>155,923</u>	<u>421,461</u>	<u>577,384</u>	<u>515,080</u>
Total Assets	<u>1,773,608</u>	<u>414,729</u>	<u>2,188,337</u>	<u>2,074,015</u>
Current Liabilities	59,966	18,228	78,194	83,482
Long-Term Liabilities	<u>43,263</u>	<u>585,611</u>	<u>628,874</u>	<u>465,591</u>
Total Liabilities	<u>103,229</u>	<u>603,839</u>	<u>707,068</u>	<u>549,073</u>
Deferred Inflows of Resources	<u>141,670</u>	<u>0</u>	<u>141,670</u>	<u>145,480</u>
Net Position				
Net Investment in Capital Assets	155,923	(182,290)	(26,367)	60,238
Restricted	273,177	0	273,177	316,525
Unrestricted (Deficit)	<u>1,099,609</u>	<u>(6,820)</u>	<u>1,092,789</u>	<u>1,002,699</u>
Total Net Position (Restated)	<u>\$ 1,528,709</u>	<u>\$ (189,110)</u>	<u>\$ 1,339,599</u>	<u>\$ 1,379,462</u>

Summary of Changes in Net Position :

Following is an analysis of the changes in net position for 2021 and 2020.

Generally speaking, the Township’s net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation and long-term debt associated with the construction of capital assets. The Township of Standish, through its governing body, i.e., Township Board of Trustees, has taken a sensible approach regarding capital asset acquisition. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws/regulations of other governments.

It is the Township’s practice, in general, to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Program Revenues:				
Charges for Services	\$ 155,023	\$ 0	\$ 155,023	\$ 157,654
Operating Grants and Contributions	<u>9,290</u>	<u>0</u>	<u>9,290</u>	<u>7,635</u>
Total Program Revenues	<u>164,313</u>	<u>0</u>	<u>164,313</u>	<u>165,289</u>
General Revenues:				
Property Taxes	193,995	0	193,995	176,738
State Revenue Sharing	169,338	0	169,338	170,260
Investment Earnings and Miscellaneous	<u>6,385</u>	<u>1</u>	<u>6,386</u>	<u>16,035</u>
Total General Revenues	<u>369,718</u>	<u>1</u>	<u>369,719</u>	<u>363,033</u>
Total Revenues	<u>534,031</u>	<u>1</u>	<u>534,032</u>	<u>528,322</u>
Program Expenses:				
General Government	129,765	0	129,765	105,645
Public Safety	52,106	0	52,106	50,861
Public Works	254,375	0	254,375	212,183
Community and Economic Development	5,729	0	5,729	7,662
Recreation and Cultural	950	0	950	950
Interest and Fees on Long-Term Debt	1,771	0	1,771	3,168
Other	70	0	70	30
Sewer Services	0	64,565	64,565	10,548
Water Services	<u>0</u>	<u>64,564</u>	<u>64,564</u>	<u>10,548</u>
Total Program Expenses	<u>444,766</u>	<u>129,129</u>	<u>573,895</u>	<u>401,595</u>
Change in Net Position	89,265	(129,128)	(39,863)	126,727
Beginning Net Position (Restated)	<u>1,439,444</u>	<u>(59,982)</u>	<u>1,379,462</u>	<u>1,252,735</u>
Ending Net Position (Restated)	<u>\$ 1,528,709</u>	<u>\$ (189,110)</u>	<u>\$ 1,339,599</u>	<u>\$ 1,379,462</u>

Governmental Activities

The *Statement of Activities* illustrates, by department, the expense incurred and revenue received.

Total governmental activities reveal revenues of \$164,313 from *Charges for Services and Operating Grants and Contributions*. The *Charges for Services* are fees mainly associated with the collection of property taxes, special assessments, fine and forfeitures, and licenses and permits. While revenue collected is substantial, operating expenses totaled \$444,766 for these same activities. The largest expenses were incurred by Public Works (\$254,375) and General Government offices (\$129,765).

Business-Type Activities

The Township's main *Business-Type activities* are the water and sewer services. As noted previously, the Township is in the planning and engineering stages for construction on the utility system. Current year activity consisted of engineering fees and other legal fees related to the planning and engineering of the system.

Financial Analysis of Township Funds

As noted earlier in this report, the Township uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of fund types will reveal the strengths and weaknesses of its daily operations.

This year's Township audit shows 10 funds. The Township Treasurer maintains these funds as separate units in the General Ledger.

Budgetary Highlights

The Township's budgets are prepared according to Michigan Law. The most significant budgeted fund is the General Fund.

During the fiscal year ended March 31, 2021, the Township Board may amend the budget to take into account events occurring during the year. These budget amendments consist of changes made to reflect increases or decreases in anticipated expenditures.

General Fund:

The General Fund actual revenue was \$270,892. That amount is above both the original and final budget estimate of \$280,847. The variance between the final budget and the actual revenue was mainly due to the Township recognizing less local grant revenue than anticipated, which was partially offset by receiving more property tax revenue than anticipated.

The General Fund actual expenditures were \$172,462, which is below both the original and final budget estimate of \$289,420. The variance between the final budget and actual expenditures was mainly due to spending less on capital outlay, public works, and general government expenditures than budgeted.

Capital Assets and Long-Term Debt

The Township defines capital assets as assets with an initial individual cost of more than \$1,800 and an estimated useful life in excess of five years. Such assets are recorded at *historical cost* or *estimated historical cost* if purchased or constructed. Donated capital assets are recorded at estimated FMV (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 an asset's life are not capitalized.

Capital Assets – Governmental Activities beginning balance was \$194,078 while the ending balance was \$202,898. Governmental Activities Total Capital Assets – Net of Depreciation was \$122,387. \$10,145 was moved from construction in progress and added with current year outlays to become an addition of \$18,965 for the total price of BS&A software. There were no other additions or deletions.

Business-Type Activities beginning balance was \$362,871 and the ending balance was \$421,461. Current year additions consisted of construction-in-progress, which was engineering fees related to the upcoming Water and Sewer Project for \$58,590.

The Long-Term Debt of the Township of Standish consists of debt related to the Point Wenonah Dredging Project, which is recorded as a *Loan Payable*, and new debt related to the Water and Sewer Project, which is recorded as *Bonds Payable*. At year's end, long-term debt amounted to \$628,874.

In addition, in the current year, the Township paid off the short-term note for \$393,000 to finance costs related to the Water and Sewer project, which was replaced with the aforementioned bonds. The Township also made its final payment on the Sandy Drive loan.

Economic Factors

The Standish Township Board and management staff is working diligently to keep expenditures down and to maintain revenue levels that are within their control. Property taxes and state revenue account for approximately 92% of the Township's General Fund revenues. Revenue sharing from the State of Michigan is beyond the control of the Township.

The Board and staff will continue to monitor revenues and expenditures and take appropriate action to account for changes in economic factors.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township of Standish, 4997 Arenac State Road, P.O. Box 472, Standish, Michigan 48658.

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF NET POSITION
March 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 891,903	\$ 8,043	\$ 899,946
Investments	246,484	0	246,484
Receivables:			
Property Taxes	23,802	0	23,802
Special Assessments	43,588	0	43,588
Due from Local Units	309,567	0	309,567
Due from State	28,586	0	28,586
Internal Balances	14,775	(14,775)	0
Prepaid Items	5,227	0	5,227
Restricted Assets:			
Cash and Cash Equivalents	38,300	0	38,300
Noncurrent Assets:			
Special Assessments Receivable	15,453	0	15,453
Capital Assets Not Being Depreciated	33,536	421,461	454,997
Capital Assets, Net of Accumulated Depreciation	<u>122,387</u>	<u>0</u>	<u>122,387</u>
Total Assets	<u>1,773,608</u>	<u>414,729</u>	<u>2,188,337</u>
<u>Liabilities</u>			
Accounts Payable	12,632	18,228	30,860
Accrued Interest Payable	598	0	598
Accrued Liabilities	8,436	0	8,436
Unearned Revenue	38,300	0	38,300
Long Term Liabilities:			
Due Within One Year	21,343	13,000	34,343
Due In More Than One Year	<u>21,920</u>	<u>572,611</u>	<u>594,531</u>
Total Liabilities	<u>103,229</u>	<u>603,839</u>	<u>707,068</u>
<u>Deferred Inflows of Resources</u>			
Property Taxes Levied for 2021	<u>141,670</u>	<u>0</u>	<u>141,670</u>
<u>Net Position</u>			
Net Investment in Capital Assets	155,923	(182,290)	(26,367)
Restricted for:			
Roads	560	0	560
Aquatic Weed Control	1,815	0	1,815
Fire Protection	101,107	0	101,107
Garbage Collection	121,526	0	121,526
Debt Service	48,169	0	48,169
Unrestricted (Deficit)	<u>1,099,609</u>	<u>(6,820)</u>	<u>1,092,789</u>
Total Net Position	<u>\$ 1,528,709</u>	<u>\$ (189,110)</u>	<u>\$ 1,339,599</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2021

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Primary Government							
Governmental Activities:							
General Government:							
Legislative and Executive	\$ 18,641	\$ 0	\$ 0	\$ 0	\$ (18,641)	\$ 0	\$ (18,641)
Financial and Tax							
Administration	67,439	18,697	0	0	(48,742)	0	(48,742)
Other General Government	43,685	0	4,200	0	(39,485)	0	(39,485)
Public Safety:							
Fire	52,106	0	0	0	(52,106)	0	(52,106)
Public Works:							
Other Public Works	254,375	134,868	5,090	0	(114,417)	0	(114,417)
Community and Economic							
Development	5,729	1,458	0	0	(4,271)	0	(4,271)
Recreation and Cultural	950	0	0	0	(950)	0	(950)
Other	70	0	0	0	(70)	0	(70)
Interest and Fees on Long-Term Debt							
	1,771	0	0	0	(1,771)	0	(1,771)
Total Governmental Activities	<u>444,766</u>	<u>155,023</u>	<u>9,290</u>	<u>0</u>	<u>(280,453)</u>	<u>0</u>	<u>(280,453)</u>
Business-Type Activities:							
Sewer Services	64,565	0	0	0	0	(64,565)	(64,565)
Water Services	64,564	0	0	0	0	(64,564)	(64,564)
Total Business-Type Activities	<u>129,129</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(129,129)</u>	<u>(129,129)</u>
Total Primary Government	<u>\$ 573,895</u>	<u>\$ 155,023</u>	<u>\$ 9,290</u>	<u>\$ 0</u>	<u>(280,453)</u>	<u>(129,129)</u>	<u>(409,582)</u>
General Revenue:							
Property Taxes Levied For:							
General Operating					56,008	0	56,008
Roads					51,004	0	51,004
Fire Protection					86,983	0	86,983
State Revenue Sharing					169,338	0	169,338
Interest and Investment Earnings					3,621	1	3,622
Rent Income					640	0	640
Other					2,124	0	2,124
Total General Revenue					<u>369,718</u>	<u>1</u>	<u>369,719</u>
Change in Net Position					89,265	(129,128)	(39,863)
Net Position - Beginning (Restated)					<u>1,439,444</u>	<u>(59,982)</u>	<u>1,379,462</u>
Net Position - Ending					<u>\$ 1,528,709</u>	<u>\$ (189,110)</u>	<u>\$ 1,339,599</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2021

	<u>Special Revenue Funds</u>					Total Governmental Funds
	General Fund	Road Fund	Fire Fund	Garbage Collection Fund	Other Governmental Funds	
Assets						
Cash and Cash Equivalents	\$ 767,014	\$ 579	\$ 101,107	\$ 16,550	\$ 6,653	\$ 891,903
Investments	246,484	0	0	0	0	246,484
Receivables:						
Property Taxes	8,367	5,138	10,297	0	0	23,802
Special Assessments	0	0	0	21,779	37,262	59,041
Due from Local Units	77,304	46,983	79,233	93,532	12,515	309,567
Due from State	28,586	0	0	0	0	28,586
Due from Other Funds	21,921	0	0	0	0	21,921
Prepaid Items	5,227	0	0	0	0	5,227
Restricted Assets:						
Cash and Cash Equivalents	2,800	35,500	0	0	0	38,300
Total Assets	<u>\$ 1,157,703</u>	<u>\$ 88,200</u>	<u>\$ 190,637</u>	<u>\$ 131,861</u>	<u>\$ 56,430</u>	<u>\$ 1,624,831</u>
Liabilities						
Accounts Payable	\$ 2,997	\$ 0	\$ 0	\$ 9,635	\$ 0	\$ 12,632
Due to Other Funds	0	0	0	700	6,446	7,146
Accrued Liabilities	8,436	0	0	0	0	8,436
Unearned Revenue - Local Grants	2,800	35,500	0	0	0	38,300
Total Liabilities	<u>14,233</u>	<u>35,500</u>	<u>0</u>	<u>10,335</u>	<u>6,446</u>	<u>66,514</u>
Deferred Inflows of Resources						
Property Taxes Levied for 2021	0	52,140	89,530	0	0	141,670
Unavailable Revenue - Special Assessments	0	0	0	21,779	37,262	59,041
Unavailable Revenue - Property Taxes	8,367	0	0	0	0	8,367
Total Deferred Inflows of Resources	<u>8,367</u>	<u>52,140</u>	<u>89,530</u>	<u>21,779</u>	<u>37,262</u>	<u>209,078</u>
Fund Equity						
Fund Balances:						
Nonspendable:						
Prepaid Items	5,227	0	0	0	0	5,227
Restricted for:						
Fire Protection	0	0	101,107	0	0	101,107
Roads	0	560	0	0	0	560
Aquatic Weed Control	0	0	0	0	1,815	1,815
Garbage Collection	0	0	0	99,747	0	99,747
Debt Service	0	0	0	0	10,907	10,907
Assigned to:						
New Building	58,109	0	0	0	0	58,109
Bridges	57,496	0	0	0	0	57,496
Unassigned	1,014,271	0	0	0	0	1,014,271
Total Fund Equity	<u>1,135,103</u>	<u>560</u>	<u>101,107</u>	<u>99,747</u>	<u>12,722</u>	<u>1,349,239</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	<u>\$ 1,157,703</u>	<u>\$ 88,200</u>	<u>\$ 190,637</u>	<u>\$ 131,861</u>	<u>\$ 56,430</u>	<u>\$ 1,624,831</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
March 31, 2021

Total Governmental Fund Balances		\$	1,349,239
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 as assets in governmental funds. Capital assets at year end consist of:			
Capital Asset Cost	\$	202,898	
Accumulated Depreciation		<u>(46,975)</u>	155,923
Other assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds:			
Real and Personal Property Taxes		8,367	
Special Assessments Receivable		<u>59,041</u>	67,408
Accrued Interest on Long-Term Liabilities			(598)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:			
Loans Payable			<u>(43,263)</u>
Total Net Position - Governmental Activities		\$	<u>1,528,709</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2021

	<u>Special Revenue Funds</u>					Total Governmental Funds
	<u>General Fund</u>	<u>Road Fund</u>	<u>Fire Fund</u>	<u>Garbage Collection Fund</u>	<u>Other Governmental Funds</u>	
<u>Revenue</u>						
Property Taxes	\$ 74,073	\$ 51,004	\$ 86,983	\$ 0	\$ 0	\$ 212,060
State Revenue	174,428	0	0	0	0	174,428
Local Grants	4,200	0	0	0	0	4,200
Licenses and Permits	1,458	0	0	0	0	1,458
Charges for Services	2,850	0	0	0	0	2,850
Interest and Rentals	4,251	0	0	9	1	4,261
Special Assessments	7,508	0	0	116,781	28,191	152,480
Other Revenue	2,124	0	0	0	0	2,124
Total Revenue	<u>270,892</u>	<u>51,004</u>	<u>86,983</u>	<u>116,790</u>	<u>28,192</u>	<u>553,861</u>
<u>Expenditures</u>						
Current:						
General Government:						
Legislative	8,273	0	0	0	0	8,273
Chief Executive	10,368	0	0	0	0	10,368
Financial and Tax Administration	67,439	0	0	0	0	67,439
Other General Government	40,822	0	0	0	0	40,822
Public Safety	0	0	52,106	0	0	52,106
Public Works	30,061	100,000	0	115,121	6,950	252,132
Community and Economic Development	5,729	0	0	0	0	5,729
Recreation and Cultural	950	0	0	0	0	950
Other	0	0	0	0	70	70
Capital Outlay	8,820	0	0	0	0	8,820
Debt Service:						
Principal	0	0	0	0	29,328	29,328
Interest and Fiscal Charges	0	0	0	0	2,280	2,280
Total Expenditures	<u>172,462</u>	<u>100,000</u>	<u>52,106</u>	<u>115,121</u>	<u>38,628</u>	<u>478,317</u>
Excess of Revenue Over (Under) Expenditures	98,430	(48,996)	34,877	1,669	(10,436)	75,544
Fund Balances - Beginning of Year	<u>1,036,673</u>	<u>49,556</u>	<u>66,230</u>	<u>98,078</u>	<u>23,158</u>	<u>1,273,695</u>
Fund Balances - End of Year	<u>\$ 1,135,103</u>	<u>\$ 560</u>	<u>\$ 101,107</u>	<u>\$ 99,747</u>	<u>\$ 12,722</u>	<u>\$ 1,349,239</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2021

Total Net Change in Fund Balances - Governmental Funds	\$	75,544
Amounts reported for governmental activities in the statement of activities are different because:		
Receivables not currently available are reported as revenue when collected or when currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements:		
Real and Personal Property Taxes	\$ 632	
Special Assessments	<u>(20,462)</u>	(19,830)
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 as depreciation expense.		
Capital Outlay	8,820	
Current Year Depreciation Expense	<u>(5,106)</u>	3,714
Principal repayments on long-term debt are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of repayments reported as expenditures in the governmental funds consist of:		
Loans Payable		29,328
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Net Change in Accrued Interest		<u>509</u>
Change in Net Position of Governmental Activities	\$	<u><u>89,265</u></u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
March 31, 2021

	Enterprise Funds		
	Sewer Fund	Water Fund	Total
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 4,022	\$ 4,021	\$ 8,043
Noncurrent Assets:			
Capital Assets Not Being Depreciated	<u>254,865</u>	<u>166,596</u>	<u>421,461</u>
Total Assets	<u>258,887</u>	<u>170,617</u>	<u>429,504</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	13,934	4,294	18,228
Due to Other Funds	7,388	7,387	14,775
Current Portion of Long-Term Liabilities	<u>8,000</u>	<u>5,000</u>	<u>13,000</u>
Total Current Liabilities	29,322	16,681	46,003
Long-Term Liabilities:			
Due in More Than One Year	<u>288,345</u>	<u>284,266</u>	<u>572,611</u>
Total Liabilities	<u>317,667</u>	<u>300,947</u>	<u>618,614</u>
<u>Net Position</u>			
Net Investment in Capital Assets	(55,370)	(126,920)	(182,290)
Unrestricted (Deficit)	<u>(3,410)</u>	<u>(3,410)</u>	<u>(6,820)</u>
Total Net Position	<u>\$ (58,780)</u>	<u>\$ (130,330)</u>	<u>\$ (189,110)</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended March 31, 2021

	Enterprise Funds		
	Sewer Fund	Water Fund	Total
Operating Revenue	\$ 0	\$ 0	\$ 0
<u>Operating Expenses</u>			
Printing and Advertising	217	216	433
Professional Fees and Services	<u>32,754</u>	<u>32,754</u>	<u>65,508</u>
Total Operating Expenses	<u>32,971</u>	<u>32,970</u>	<u>65,941</u>
Operating Income (Loss)	<u>(32,971)</u>	<u>(32,970)</u>	<u>(65,941)</u>
<u>Nonoperating Revenue (Expenses)</u>			
Interest and Investment Earnings	1	0	1
Interest and Fees Expense	(7,344)	(7,344)	(14,688)
Bond Issuance Costs	<u>(24,250)</u>	<u>(24,250)</u>	<u>(48,500)</u>
Total Nonoperating Revenue (Expenses)	<u>(31,593)</u>	<u>(31,594)</u>	<u>(63,187)</u>
Change in Net Position	(64,564)	(64,564)	(129,128)
Net Position - Beginning of Year (Restated)	<u>5,784</u>	<u>(65,766)</u>	<u>(59,982)</u>
Net Position - End of Year	<u><u>\$ (58,780)</u></u>	<u><u>\$ (130,330)</u></u>	<u><u>\$ (189,110)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended March 31, 2021

	Enterprise Funds		
	Sewer Fund	Water Fund	Total
<u>Cash Flows From Operating Activities</u>			
Payments to Suppliers for Goods and Services	\$ (34,177)	\$ (34,176)	\$ (68,353)
<u>Cash Flows From Non-Capital Financing Activities</u>			
Cash Received from (Paid to) Other Funds	7,388	7,387	14,775
<u>Cash Flows From Capital and Related Financing Activities</u>			
Proceeds from Bonds	296,345	289,266	585,611
Acquisition and Construction of Capital Assets	(46,635)	(44,935)	(91,570)
Principal Paid on Short-Term Debt	(196,500)	(196,500)	(393,000)
Interest and Fees Paid on Long-Term Debt	(7,344)	(7,344)	(14,688)
Bond Issuance Costs Paid on Long-Term Debt	(24,250)	(24,250)	(48,500)
Net Cash Provided (Used) by Capital and Related Financing Activities	21,616	16,237	37,853
<u>Cash Flows From Investing Activities</u>			
Interest on Investments	1	0	1
Net Increase (Decrease) in Cash and Cash Equivalents	(5,172)	(10,552)	(15,724)
Cash and Cash Equivalents at Beginning of Year	9,194	14,573	23,767
Cash and Cash Equivalents at End of Year	\$ 4,022	\$ 4,021	\$ 8,043
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income (Loss)	\$ (32,971)	\$ (32,970)	\$ (65,941)
Change in Assets and Liabilities:			
Accounts Payable	(1,206)	(1,206)	(2,412)
Net Cash Provided (Used) by Operating Activities	\$ (34,177)	\$ (34,176)	\$ (68,353)

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
March 31, 2021

	<u>Tax Account</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ <u><u>1,380</u></u>
<u>Liabilities</u>	
Due to Local Units	\$ <u><u>1,380</u></u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended March 31, 2021

	<u>Tax Account</u>
<u>Additions</u>	
Property Taxes Collected for Other Governments	\$ 1,541,352
<u>Deductions</u>	
Property Taxes Distributed to Other Governments	<u>1,541,352</u>
Net Increase (Decrease) in Fiduciary Net Position	0
Net Position - Beginning of Year	<u>0</u>
Net Position - End of Year	<u>\$ 0</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Standish (Township) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. The following is a summary of the significant accounting policies:

A. Description of Township Operations and Fund Types

The Township of Standish operates under an elected Township Board (five members) and provides services to its residents in many areas including road maintenance, refuse collection, and fire protection. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Township are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

In addition, the primary government is also financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board. The Township does not have any component units.

C. Joint Ventures

The Township has entered into two joint ventures with various municipalities described as follows:

The Standish Area Fire Authority

The Standish Area Fire Authority was established as a joint venture between the City of Standish, the Township of Lincoln, the City of Omer, the Township of Arenac, and the Township of Standish. The Authority was established to provide fire protection services to the constituent municipalities. The agreement requires each constituent municipality to contribute an amount that is at least 1.0 mill of the total taxable valuation. The Township also contributes any amount received from the Saginaw Chippewa Indian Tribe for fire protection or fire equipment to the Authority. The Township of Standish's contribution for the year ended March 31, 2021 was \$52,106. Complete financial statements can be obtained from the Standish Area Fire Authority's office located in the Township of Lincoln fire hall, Standish, Michigan.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Joint Ventures (Continued)

The Arenac Heritage Route Authority

The Arenac Heritage Route Authority was established as a joint venture between Arenac County, the City of Standish, the City of Au Gres, the City of Omer, Adams Township, Arenac Township, Clayton Township, Deep River Township, Lincoln Township, Standish Township, Au Gres Township, and Whitney Township. The Authority was established as a joint venture among the above mentioned municipalities for the following purposes: 1) To own, lease, construct, improve, maintain, finance and operate real estate and buildings; 2) To hire employees to staff, maintain and operate the building and its related facilities; and 3) To own and operate equipment and personal property necessary for operating and maintaining a building and its facilities in accordance with the authorization of the Urban Cooperation Act of 1967, Act 7 of Public Acts of Michigan of 1967, as amended. The agreement requires each constituent municipality to contribute an amount that is at least \$0.50 per capita. The Township of Standish's contribution for the year ended March 31, 2021 was \$950. Complete financial statements can be obtained from the Authority's office, 107 North Main Street, Standish, Michigan 48658.

D. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type, and are excluded from the government-wide financial statements.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

General Fund - This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state revenue, and local grants.

Garbage Collection Fund - This fund is used to account for a special assessment levy for the purpose of providing garbage and rubbish collection.

Fire Fund - This fund is used to account for the receipt and expenditure of property taxes for fire protection.

Road Fund - This fund is used to account for the receipt and expenditure of property taxes for road projects.

The other governmental funds of the Township account for grants and other resources whose use is restricted for a particular purpose, and the accumulation of resources for, and the payment of debt.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

The Township's enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Township's major enterprise funds:

Sewer Fund - This fund is maintained to account for operations of the Township's sewer system. In the future, this fund will reflect the maintenance and operation of the sewer system in the Township of Standish. Revenues required to operate the system will be derived primarily from user fees. Currently, the Township is in the planning and engineering stages for construction on the utility system.

Water Fund - This fund is maintained to account for operations of the Township's water system. In the future, this fund will reflect the maintenance and operation of the water system in the Township of Standish. Revenues required to operate the system will be derived primarily from user fees. Currently, the Township is in the planning and engineering stages for construction on the utility system.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The Township's fiduciary fund accounts for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for others. The Township uses this fund to account for current tax collections.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

All assets and all liabilities associated with the operation of the Township are included on the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenue, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the Township finances and meets the cash flow needs of its enterprise activities.

G. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide, proprietary and fiduciary funds financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Township, available means expected to be received within 60 days of the fiscal year-end.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Basis of Accounting (Continued)

Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: charges for services, fines and forfeitures, state-levied locally shared taxes (including sales tax), interest, grants and rent.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet 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 that time.

In addition to liabilities, the statement of net position and balance sheet 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.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

H. Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Township are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost which approximates fair value. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Receivables

Receivables generally consist of accounts (fees), property taxes, special assessments, and interest. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectability.

The allowance for doubtful accounts at March 31, 2021 was \$0.

Of the \$59,041 balance for special assessments receivable, \$15,453 will not be collected in the next fiscal year and is considered to be long-term.

J. Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "due from/to other funds". Interfund balances within governmental activities are eliminated on the government-wide statement of net position.

K. Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

L. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

Capital assets are defined by the government as assets with an initial individual cost of more than \$1,800 and an estimated useful life in excess of five years. Such assets are recorded at historical 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 Township's infrastructure consists of the Sandy Drive Water Main. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Descriptions</u>	<u>Estimated Lives</u>
Buildings and Improvements	25 - 50 years
Machinery and Equipment	5 - 10 years
Infrastructure	5 - 50 years

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund statement. In general, payables and accrued liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that are paid from governmental funds are recognized as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Township reports three categories of net position on the government-wide financial statements, as follows:

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Township's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the Township.

The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Township Board—the Township's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Township Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Balances (Continued)

Assigned fund balance. This classification reflects the amounts constrained by the Township's "intent" to be used for specific purposes, but are neither restricted nor committed. The Township Board or personnel authorized by the Board have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. If any portion of existing fund balance will be used to eliminate a projected deficit in the budget for the subsequent year, this amount will also be categorized as Assigned fund balance.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Township, these revenues are charges for services for water and sewer usage. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended March 31, 2021.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Budgets and Budgetary Accounting

The Township of Standish normally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to March 1, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. This operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the governmental center to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of an ordinance.
4. All budget appropriations lapse at year-end. Budgetary amounts reported herein are as originally adopted, and as amended by the Township Board throughout the operating year.

The Township adopts budgets for the General Fund and Special Revenue Funds.

The budgets of the Township are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted at the activity level.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved and amended by the Township Board.

T. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

U. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2021, the Township has implemented Governmental Accounting Standards Board (GASB) Statement Number 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements" and GASB Statement No. 84, "Fiduciary Activities". GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 891,903	\$ 8,043	\$ 1,380	\$ 901,326
Investments	246,484	0	0	246,484
Restricted Cash and Cash Equivalents	<u>38,300</u>	<u>0</u>	<u>0</u>	<u>38,300</u>
Total	<u>\$ 1,176,687</u>	<u>\$ 8,043</u>	<u>\$ 1,380</u>	<u>\$ 1,186,110</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	\$ 1,186,000
Petty Cash and Cash on Hand	<u>100</u>
Total	<u>\$ 1,186,100</u>

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2021, \$1,124,927 of the Township's bank balance of \$1,622,077 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Interest Rate Risk and Foreign Currency Risk

The Township's investment policy does not address interest rate risk and foreign currency risk.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The Township Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Township to deposit and invest in the following:

- λ Accounts of federally insured banks, credit unions and savings and loan associations
- λ Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- λ United States government or federal agency obligation repurchase agreements
- λ Banker's acceptances of United States banks
- Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Township's deposits and investments are in accordance with statutory authority.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of March 31, 2021 were as follows:

	Due from				
Due to	Garbage Collection Fund	Non-major Governmental Funds	Sewer Fund	Water Fund	Total
General Fund	\$ <u>700</u>	\$ <u>6,446</u>	\$ <u>7,388</u>	\$ <u>7,387</u>	\$ <u>21,921</u>

These balances result from the time lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended March 31, 2021, was as follows:

	Balance 04/01/20	Additions	Deletions	Balance 03/31/21
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 33,536	\$ 0	\$ 0	\$ 33,536
Construction in Progress	<u>10,145</u>	<u>0</u>	<u>(10,145)</u>	<u>0</u>
Subtotal	<u>43,681</u>	<u>0</u>	<u>(10,145)</u>	<u>33,536</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	34,839	0	0	34,839
Machinery and Equipment	3,415	18,965	0	22,380
Infrastructure	<u>112,143</u>	<u>0</u>	<u>0</u>	<u>112,143</u>
Subtotal	<u>150,397</u>	<u>18,965</u>	<u>0</u>	<u>169,362</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(19,292)	(953)	0	(20,245)
Machinery and Equipment	(2,765)	(1,910)	0	(4,675)
Infrastructure	<u>(19,812)</u>	<u>(2,243)</u>	<u>0</u>	<u>(22,055)</u>
Subtotal	<u>(41,869)</u>	<u>(5,106)</u>	<u>0</u>	<u>(46,975)</u>
Capital Assets Being Depreciated	<u>108,528</u>	<u>13,859</u>	<u>0</u>	<u>122,387</u>
Governmental Activities Total Capital Assets - Net of Depreciation	<u>\$ 152,209</u>	<u>\$ 13,859</u>	<u>\$ (10,145)</u>	<u>\$ 155,923</u>
	Balance 04/01/20	Additions	Deletions	Balance 03/31/21
<u>Business-Type Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 24,681	\$ 0	\$ 0	\$ 24,681
Construction in Progress	<u>338,190</u>	<u>58,590</u>	<u>0</u>	<u>396,780</u>
Business-Type Activities Total Capital Assets	<u>\$ 362,871</u>	<u>\$ 58,590</u>	<u>\$ 0</u>	<u>\$ 421,461</u>

Depreciation expense was charged to programs of the primary government as follows:

<u>Governmental Activities</u>	
General Government:	
Other General Government	\$ 2,863
Public Works	<u>2,243</u>
Total Governmental Activities	<u>\$ 5,106</u>

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

NOTE 6 - SHORT-TERM DEBT

The Township has various options for short-term financing including tax anticipation notes, bond anticipation notes, and lines of credit.

The following is a summary of the short-term financing:

	Balance 4/1/2020	Increases	Decreases	Balance 3/31/2021
Bond Anticipation Note Payable	\$ <u>393,000</u>	\$ <u>0</u>	\$ <u>(393,000)</u>	\$ <u>0</u>

NOTE 7 - LONG-TERM LIABILITIES

	Governmental	Business-Type
A. <u>Bonds Payable</u>		
Sewer Capital Improvement Bonds Series 2021B	\$ 0	\$ 296,345
Water Capital Improvement Bonds Series 2021B	0	289,266
Total Bonds Payable	0	585,611
B. <u>Loans Payable</u>		
2012 Point Wenonah Dredging Fund Loan	43,263	0
Total Long-Term Liabilities	\$ 43,263	\$ 585,611

C. Detailed Long-Term Debt Disclosures

Direct Borrowing

Sewer Capital Improvement Bonds Series 2021B

General Obligation Limited Tax Sewer Capital Improvement Bonds, Series 2021B, in the amount of \$710,000, for the purpose of financing capital improvements to the sewer system. The bonds bear interest at the rate of 1.25% and are payable biannually with principal payments due annually through February 2039. The full faith and credit of the Township has been pledged to the prompt payment of the principal and interest on the bonds. The principal and interest are payable as a first budget obligation of the Township from its general funds. The ability of the Township to raise such funds is subject to applicable constitutional and statutory limitations on the taxing power of the Township. Principal installments may be prepaid prior to maturity at the Township's discretion. These bonds were purchased by the United States Department of Agriculture Rural Development. The Township submits requests for funds to Rural Development as needed for costs related to the project. At March 31, 2021 only \$296,345 of the bonds had been received by the Township and are outstanding.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

C. Detailed Long-Term Debt Disclosures (Continued)

Water Capital Improvement Bonds Series 2021B

General Obligation Limited Tax Sewer Capital Improvement Bonds, Series 2021B, in the amount of \$379,000, for the purpose of financing capital improvements to the water system. The bonds bear interest at the rate of 1.25% and are payable biannually with principal payments due annually through February 2053. The full faith and credit of the Township has been pledged to the prompt payment of the principal and interest on the bonds. The principal and interest are payable as a first budget obligation of the Township from its general funds. The ability of the Township to raise such funds is subject to applicable constitutional and statutory limitations on the taxing power of the Township. Principal installments may be prepaid prior to maturity at the Township's discretion. These bonds were purchased by the United States Department of Agriculture Rural Development. The Township submits requests for funds to Rural Development as needed for costs related to the project. At March 31, 2021 only \$289,266 of the bonds had been received by the Township and are outstanding.

2012 Point Wenonah Dredging Fund Loan

On September 26, 2012, the Township entered into an agreement with Citizens Bank for the funding of \$195,000 toward dredging the existing channels of Point Wenonah. This loan bears an interest rate of 2.7% and is due in annual installments through 2022. The loan may not be prepaid, in whole or in part, prior to maturity. Upon the occurrence of an event of default by the Township, all or part of the unpaid balance of the amount financed, together with accrued interest shall, at the option of the bank, become immediately due and payable. The Township shall include in its budget and pay each year, until it is paid in full, such sums necessary to make payments of the principal and interest when due.

D. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the Township for the year ended March 31, 2021:

	<u>Balance</u> <u>04/01/20</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>03/31/21</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
Loans Payable	\$ <u>72,591</u>	\$ <u>0</u>	\$ <u>(29,328)</u>	\$ <u>43,263</u>	\$ <u>21,343</u>
<u>Business-Type Activities</u>					
Bonds Payable	\$ <u>0</u>	\$ <u>585,611</u>	\$ <u>0</u>	\$ <u>585,611</u>	\$ <u>13,000</u>

The interest expenditures on long-term obligations for the year were \$2,280.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

The annual aggregate maturities for all debt outstanding as of March 31, 2021 are as follows:

Direct Borrowing:

Bonds Payable	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2022	\$ 0	\$ 0	\$ 13,000	\$ 6,742	\$ 19,742
2023	0	0	27,000	7,158	34,158
2024	0	0	27,000	6,820	33,820
2025	0	0	27,000	6,500	33,500
2026	0	0	27,000	6,145	33,145
2027 - 2031	0	0	135,000	25,677	160,677
2032 - 2052	0	0	135,000	17,236	152,236
2037 - 2041	0	0	84,345	9,428	93,773
2042 - 2046	0	0	50,000	5,644	55,644
2047 - 2051	0	0	50,000	2,518	52,518
2052 - 2053	<u>0</u>	<u>0</u>	<u>10,266</u>	<u>132</u>	<u>10,398</u>
Total	\$ <u>0</u>	\$ <u>0</u>	\$ <u>585,611</u>	\$ <u>94,000</u>	\$ <u>679,611</u>

Loans Payable	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2022	\$ 21,343	\$ 1,168	\$ 0	\$ 0	\$ 22,511
2023	<u>21,920</u>	<u>592</u>	<u>0</u>	<u>0</u>	<u>22,512</u>
Total	\$ <u>43,263</u>	\$ <u>1,760</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>45,023</u>

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls. For the current year, the taxable value for properties located within the Township was \$52,341,558. The tax rate was .9981 mills for operations.

The fire millage and road millage are recognized in the year after they are levied. The taxable value for the properties located within the Township for the 2019 levy was \$43,252,723 and the corresponding tax rate was 2.0 mills for the fire millage and \$50,812,123 with a corresponding tax rate of 1.0 mill for the road levy.

NOTE 9 - FUND DEFICITS

The Sewer Fund and Water Fund had unrestricted net position deficits of \$3,410 and \$3,410, respectively, at March 31, 2021.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

NOTE 10 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

During the year ended March 31, 2021, the Township incurred expenditures which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund/General Government/Legislative	\$ 5,340	\$ 8,273	\$ 2,933
General Fund/General Government/Chief Executive	\$ 9,500	\$ 10,368	\$ 868
General Fund/General Government/Other General Government	\$ 37,000	\$ 40,822	\$ 3,822
Road Fund/Public Works	\$ 49,000	\$ 100,000	\$ 51,000
Garbage Collection Fund/Public Works	\$ 112,904	\$ 115,121	\$ 2,217

NOTE 11 - RETIREMENT PLAN

The Township has a defined contribution pension plan with Brighthouse Financial, Inc. effective July 1, 1991. All full-time employees are covered under the plan. Eligibility to become a participant is limited to those employees who, on the effective date or on any anniversary date, have attained age 18. Vesting is 100% upon entering the plan. Each employee must contribute 7.5% of their gross earnings to the plan. The Township is required to contribute an amount equal to 7.5% of the employee's gross earnings.

During the year, the Township's contributions amounted to \$1,933, which was 7.5% of the covered payroll period. Employees' contributions amounted to \$1,933. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE 12 - UNEMPLOYMENT COMPENSATION

The Township is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Township must reimburse the Employment Agency for all benefits charged against the Township. Accrued unemployment compensation was \$0 as of March 31, 2021.

NOTE 13 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Township has purchased commercial insurance for general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents) and workers compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 14 - RESTRICTED ASSETS

The Township is required to maintain certain restricted assets in the General Fund for cash received by the Township from the Saginaw Chippewa Indian Tribe of Michigan, which is required to be spent on projects approved by the Tribe.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

NOTE 15 - PRIOR PERIOD ADJUSTMENTS

The March 31, 2020 financial statements have been restated for the following adjustments:

Adjustment 1 - The Sandy Drive Water Project Loan was paid off in the current year, but a prior year extra principal payment was improperly accounted for, leading to an overstatement of the remaining balance. This adjustment was necessary to reflect the true remaining principal balance as of March 31, 2020.

Adjustment 2 - As required by United States Department of Agriculture Rural Development, the Township split the White's Beach Water and Sewer Fund into two separate funds. This adjustment split the existing balance sheet accounts accordingly.

	<u>Governmental Activities</u>	<u>White's Beach Water and Sewer Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>
Net Position/Fund Balance - Beginning	\$ 1,437,268	\$ (59,982)	\$ 0	\$ 0
Adjustment 1	2,176	0	0	0
Adjustment 2	<u>0</u>	<u>59,982</u>	<u>5,784</u>	<u>(65,766)</u>
Net Position/Fund Balance - Beginning (Restated)	<u>\$ 1,439,444</u>	<u>\$ 0</u>	<u>\$ 5,784</u>	<u>\$ (65,766)</u>

NOTE 16 - COMMITMENTS

The Township had contractual commitments in the amount of \$8,586,340 at March 31, 2021.

Construction Contracts

As of March 31, 2021, the Township had agreed to the following construction contract:

<u>Project</u>	<u>Total Contract</u>	<u>Remaining Commitment at March 31, 2021</u>	<u>Contract Payable at March 31, 2021</u>
Water & Sewer Main Construction Project - Rohde Bros. Excavating, Inc.	<u>\$ 8,586,340</u>	<u>\$ 8,586,340</u>	<u>\$ 0</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended March 31, 2021

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Property Taxes	\$ 57,430	\$ 57,430	\$ 74,073	\$ 16,643
State Revenue	171,431	171,431	174,428	2,997
Local Grants	37,000	37,000	4,200	(32,800)
Licenses and Permits	200	200	1,458	1,258
Charges for Services	4,050	4,050	2,850	(1,200)
Interest and Rentals	1,800	1,800	4,251	2,451
Special Assessments	6,700	6,700	7,508	808
Other Revenue	2,236	2,236	2,124	(112)
Total Revenue	<u>280,847</u>	<u>280,847</u>	<u>270,892</u>	<u>(9,955)</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative	5,340	5,340	8,273	(2,933)
Chief Executive	9,500	9,500	10,368	(868)
Financial and Tax Administration	108,230	108,230	67,439	40,791
Other General Government	37,000	37,000	40,822	(3,822)
Public Works	67,500	67,500	30,061	37,439
Community and Economic Development	10,900	10,900	5,729	5,171
Recreation and Cultural	950	950	950	0
Capital Outlay	50,000	50,000	8,820	41,180
Total Expenditures	<u>289,420</u>	<u>289,420</u>	<u>172,462</u>	<u>116,958</u>
Excess of Revenue Over (Under) Expenditures	(8,573)	(8,573)	98,430	107,003
Fund Balances - Beginning of Year	<u>1,036,673</u>	<u>1,036,673</u>	<u>1,036,673</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 1,028,100</u>	<u>\$ 1,028,100</u>	<u>\$ 1,135,103</u>	<u>\$ 107,003</u>

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ROAD FUND - SPECIAL REVENUE FUND
For the Year Ended March 31, 2021

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Property Taxes	\$ 49,000	\$ 49,000	\$ 51,004	\$ 2,004
<u>Expenditures</u>				
Current:				
Public Works	<u>49,000</u>	<u>49,000</u>	<u>100,000</u>	<u>(51,000)</u>
Excess of Revenue Over (Under) Expenditures	0	0	(48,996)	(48,996)
Fund Balances - Beginning of Year	<u>49,556</u>	<u>49,556</u>	<u>49,556</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 49,556</u>	<u>\$ 49,556</u>	<u>\$ 560</u>	<u>\$ (48,996)</u>

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FIRE FUND - SPECIAL REVENUE FUND
For the Year Ended March 31, 2021

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Property Taxes	\$ 87,000	\$ 87,000	\$ 86,983	\$ (17)
<u>Expenditures</u>				
Current:				
Public Safety	<u>83,000</u>	<u>83,000</u>	<u>52,106</u>	<u>30,894</u>
Excess of Revenue Over (Under) Expenditures	4,000	4,000	34,877	30,877
Fund Balances - Beginning of Year	<u>66,230</u>	<u>66,230</u>	<u>66,230</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 70,230</u>	<u>\$ 70,230</u>	<u>\$ 101,107</u>	<u>\$ 30,877</u>

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GARBAGE COLLECTION FUND - SPECIAL REVENUE FUND
For the Year Ended March 31, 2021

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Interest and Rentals	\$ 100	\$ 100	\$ 9	\$ (91)
Special Assessments	<u>112,904</u>	<u>112,904</u>	<u>116,781</u>	<u>3,877</u>
Total Revenue	113,004	113,004	116,790	3,786
<u>Expenditures</u>				
Current:				
Public Works	<u>112,904</u>	<u>112,904</u>	<u>115,121</u>	<u>(2,217)</u>
Excess of Revenue Over (Under) Expenditures	100	100	1,669	1,569
Fund Balances - Beginning of Year	<u>98,078</u>	<u>98,078</u>	<u>98,078</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 98,178</u>	<u>\$ 98,178</u>	<u>\$ 99,747</u>	<u>\$ 1,569</u>

OTHER INFORMATION

TOWNSHIP OF STANDISH
Arenac County, Michigan

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
March 31, 2021

	Special Revenue Fund	Debt Service Funds		Total Other Governmental Funds
	Aquatic Weed Assessment Fund	Sandy Drive Debt Fund	Pt. Wenonah Dredging Debt Fund	
<u>Assets</u>				
Cash and Cash Equivalents	\$ 5,887	\$ 686	\$ 80	\$ 6,653
Receivables:				
Special Assessments	0	1,938	35,324	37,262
Due from Local Units	98	0	12,417	12,515
Total Assets	\$ 5,985	\$ 2,624	\$ 47,821	\$ 56,430
<u>Liabilities</u>				
Due to Other Funds	\$ 4,170	\$ 0	\$ 2,276	\$ 6,446
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue - Special Assessments	0	1,938	35,324	37,262
<u>Fund Equity</u>				
Fund Balances:				
Restricted for:				
Aquatic Weed Control	1,815	0	0	1,815
Debt Service	0	686	10,221	10,907
Total Fund Equity	1,815	686	10,221	12,722
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	\$ 5,985	\$ 2,624	\$ 47,821	\$ 56,430

TOWNSHIP OF STANDISH
Arenac County, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended March 31, 2021

	Special Revenue Fund	Debt Service Funds		Total Other Governmental Funds
	Aquatic Weed Assessment Fund	Sandy Drive Debt Fund	Pt. Wenonah Dredging Debt Fund	
<u>Revenue</u>				
Interest and Rentals	\$ 0	\$ 0	\$ 1	\$ 1
Special Assessments	<u>7,572</u>	<u>4,553</u>	<u>16,066</u>	<u>28,191</u>
Total Revenue	<u>7,572</u>	<u>4,553</u>	<u>16,067</u>	<u>28,192</u>
<u>Expenditures</u>				
Current:				
Public Works	6,950	0	0	6,950
Other	0	50	20	70
Debt Service:				
Principal	0	8,546	20,782	29,328
Interest and Fiscal Charges	<u>0</u>	<u>551</u>	<u>1,729</u>	<u>2,280</u>
Total Expenditures	<u>6,950</u>	<u>9,147</u>	<u>22,531</u>	<u>38,628</u>
Excess of Revenue Over (Under) Expenditures	622	(4,594)	(6,464)	(10,436)
Fund Balances - Beginning of Year	<u>1,193</u>	<u>5,280</u>	<u>16,685</u>	<u>23,158</u>
Fund Balances - End of Year	<u>\$ 1,815</u>	<u>\$ 686</u>	<u>\$ 10,221</u>	<u>\$ 12,722</u>



Stephenson & Company, P.C.
Certified Public Accountants & Consultants

Alan J. Stephenson, CPA
Donald W. Brannan, CPA
Kyle E. Troyer, CPA
Robert J. Morand, CPA
Brenden A. Stephenson, CPA/PFS, CFP®
Cynthia R. Scott, CPA, CFE

September 30, 2021
Township Board
Township of Standish
Arenac County, Michigan

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 Township of Standish for the year ended March 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, 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 July 29, 2021. Professional standards also require that we communicate to you the following information related to our audit. The appendices to this letter set forth those communications as follows:

I Communication with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel of the Township during the audit and met with management on September 30, 2021. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Township Board, others within the Township and the Michigan Department of Treasury and are not intended to be, and should not be, used by anyone other than those specified parties.

Very truly yours,

Stephenson & Company, P.C.

APPENDIX I COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Significant Audit Matters

Qualitative Aspects of Accounting Practices

- Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Standish are described in Note 1 to the financial statements. As described in Note 2 to the financial statements, the Township of Standish adopted GASB 88 "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements" and GASB 84 "Fiduciary Activities". We noted no transactions entered into by the Township of Standish 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 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 Misstatement

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 determined the effects of the unadjusted audit differences are immaterial, both individually and in the aggregate, to the financial statements as a whole, and material misstatements provided to management on September 30, 2021 were corrected by management.

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 September 30, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township of Standish'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 Township of Standish's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**APPENDIX I
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison information, 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.

We were engaged to report on the combining nonmajor fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

APPENDIX II MANAGEMENT COMMENTS

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Standish as of and for the year ended March 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Standish's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Standish's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Standish's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

FINANCIAL STATEMENT PREPARATION CONTROLS

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the Township of Standish's financial statements. However, if at any point in the audit we as auditors are part of the Township of Standish's control system for producing reliable financial statements, auditing standards indicate that the Township of Standish has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. The effect of this material weakness is that reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles (GAAP) and the Township would not be in a position to detect the errors or omissions. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

View of Responsible Officials:

The Township of Standish has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

TOWNSHIP BOARD REPORTS

The Township Board was not provided with quarterly financial and budget reports as required by the State of Michigan Accounting Manual. The effect of this material weakness is that the Township did not monitor their budget during the year. We recommend that the Township Board review budget to actual figures for all funds at least quarterly. These reports will be useful in controlling the budget as well as making other necessary financial decisions.

View of Responsible Officials:

The Clerk will begin compiling this information and ensuring it is provided to the entire board for their review on at least a quarterly basis.

APPENDIX II MANAGEMENT COMMENTS

TIMELY BANK RECONCILIATIONS

The Accounting Procedures Manual for Local Units of Government in Michigan requires that bank reconciliations are prepared timely. During our audit procedures related to cash, we determined that during the year, bank reconciliations were not consistently prepared for the payroll fund. This was largely the result of failure to record some transactions related to payroll. Timely bank reconciliations are a key internal control to assist in the prevention and detection of employee misappropriation of assets. The effect of this material weakness is that the Township is at an increased risk of misappropriation of assets without timely detection by management. We recommend that the Township's bank reconciliations for all accounts are prepared within six weeks of month end.

View of Responsible Officials:

Effective immediately, the Clerk and Treasurer will work together to make sure that all activity related to the payroll account is properly recorded, such that timely bank reconciliations can be performed in order to be in compliance with the State of Michigan requirements.

DOCUMENTATION IN BOARD MINUTES

The Michigan Open Meetings Act requires accurate written record of any meetings of the Township Board. These minutes must include, at a minimum, the date, time, place, members present, members absent, any decisions made at a meeting open to the public, and the purpose or purposes for which a closed session is held. In our testing related to expenses, it was noted that the board's approval for the annual road contracts, which are a significant and material expense, were not noted in the board minutes. The effect of this material weakness is that the Township is in violation of the Michigan Open Meetings Act as we believe the board approved of the contracts, but that this was not formally documented in the minutes. We recommend that the Township comply with the requirements of the Michigan Open Meetings Act and document the passing of motions made and voted on by the Township Board.

View of Responsible Officials:

The Township of Standish, effective immediately, will document all official actions and motions made and voted upon in the Township Board minutes in accordance with the Michigan Open Meetings Act.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

APPROVAL OF BOOK OF BILLS

During our audit procedures regarding expenditures, we noted that each month in the minutes it is documented that the Township Board approved the book of bills. However, we noted items in our sample that were not included in the listings. The effect of this significant deficiency is that there is no consistently complete documentation of what the Township Board is approving for payment and therefore, misappropriation of assets could occur without detection. We would like to stress that our testing in this area detected far fewer such errors in the current year than in prior years. We recommend that the Township Board is provided a listing of bills to be paid and a listing of bills paid (if approved after the fact) from the Township's financial software. The listing should show checks sequentially and those should be compared from one meeting to the next to ensure all are included for approval. The listings for all funds should be kept with the official copy of the minutes so there is no question as to what expenditures were approved by the Township Board.

View of Responsible Officials:

The Clerk will provide the Township Board with reports from the financial software for each fund that lists all checks and all electronic payments being approved and keep the listing that is approved with the official copy of the minutes. The Township Board will ensure that the checks are accounted for sequentially to ensure all checks are approved.

**APPENDIX II
MANAGEMENT COMMENTS**

CLASSIFICATION OF PAYROLL CHECKS

During our testing related to payroll, it was noted that a check was cut to a board member for time spent during BS&A training that was processed through accounts payable instead of payroll. The effect of this significant deficiency is that payroll taxes and pension expenses were not properly recorded in relation to this check. We would like to stress that the training is not a recurring item, and it appears to have been an isolated issue. We recommend that the Clerk and Treasurer carefully review all checks that could possibly be payroll related to ensure that they are accounted for properly.

The Township of Standish’s responses to the findings in our audit are described above. We did not audit the Township’s responses and, accordingly, we express no opinion on them.

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency.

SEPARATION OF SEWER FUND AND WATER FUND

During the audit, it was noted that the Township had not maintained separate general ledger funds for their Sewer Fund and Water Fund as required by the United States Department of Agriculture Rural Development as a condition of their bonds. The activity was split as part of the audit. We recommend that the Township record the activity in the appropriate separate funds going forward.

BUDGET

In the current year, we noted that the 2022 original budget was not approved before the previous fiscal year end, as required by the Uniform Budgeting and Accounting Act. We recommend that the Board ensure that all future budgets are approved in accordance with their required timeline, as indicated in the Act.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

STATUS OF PRIOR YEAR COMMENTS:

We have reviewed the status of comments and recommendations made in the prior year. The status of prior year comments is as follows:

<u>Comment</u>	<u>Implemented/ Situation Corrected</u>	<u>Management Decision To Not Implement</u>	<u>Progress Made</u>	<u>Situation Still Exists</u>
Financial Statement Preparation Controls		X		
Documentation in Board Minutes			X	
Approval of Book of Bills			X	
Payroll Taxes Not Timely Paid	X			
Signature Requirements for Checks	X			