
Township of Scio

Washtenaw County, Michigan

Financial Report
with Supplemental Information
March 31, 2021

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Independent Auditor's Report

To the Board of Trustees
Township of Scio

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Scio (the "Township") as of and for the year ended March 31, 2021 and the related notes to the financial statements, which collectively comprise the Township of Scio's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Scio as of March 31, 2021 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the Township adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which provides guidance on the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Township of Scio

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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 Scio's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

October 14, 2021

Our discussion and analysis of the Township of Scio's (the "Township") financial performance provides an overview of the financial activities for the fiscal year ended March 31, 2021. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The following are the most significant financial highlights for the year ended March 31, 2021:

- The Township's property tax collection remains the largest single revenue source for the general operations of the Township. The collection increased by 25 percent from 2020 to 2021, despite being the first year of the COVID-19 pandemic and associated disruptions.
- The voter-approved fire Special Assessment District (SAD) levy is a maximum of 1.35 mills on the taxable value of real property in the district that excludes the City of Dexter, Michigan. Voters approved an increase from 0.9 mills to 1.35 mills in November 2019. It is collected annually with the December tax bills. This collection is not subject to state rollback requirements and is not captured by the Township's Downtown Development Authority. The first collection occurred following the vote with the December 2008 taxes. The moneys represent deferred revenue and are committed to the fiscal year budget that starts following collection. Revenue is segregated in the Fire Department Fund and expended only on fire service costs.
- In this fiscal year, the water and sewer rates were consistent with the prior year. In fiscal year 2021, both the Sewer Fund and the Water Fund expenditures exceeded revenue, with a combined operating loss of \$1,213,509. In the coming year, the Township will conduct a comprehensive study of rates and fees to propose changes to address this deficit.
- State-shared revenue, the Township's second largest revenue source, increased by approximately \$17,000 in fiscal year 2021 compared to 2020.
- Voters approved the Parks and Pathways millage of 0.65, subject to state rollback requirements, for 10 years at the August 10, 2020 election. The first year billed was 2020 on the winter tax bill.
- This fiscal year has been one of continual adaptation of our operations to service the public through this COVID-19 pandemic. The Township continued not just its essential services but also its nonessential services throughout almost the entire year. The Township actively sought all available federal CARES Act COVID-19 relief funds and plans to apply for future ARPA funds.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell the reader how the taxpayers' resources were spent during the year and how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant activities. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

It is important that the reader note that this report represents a snapshot of the financial position of the Township as of the close of business on March 31, 2021. The largest financial resource, property tax collection, is seasonal. It is collected late in the budget year and only during the fourth quarter (December to February). The revenue generated from property tax collection is in the fourth quarter revenue stream and not available for the first three quarters. As such, it becomes reflected in fund balance. Sufficient cash balance must be in reserve to meet the expenditures for the entire year.

Township of Scio

Management's Discussion and Analysis (Continued)

The Township's Net Position

The following table shows, in a condensed format, the net position as of the end of the fiscal year compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current assets	\$ 20,592,737	\$ 19,279,151	\$ 22,702,281	\$ 21,764,487	\$ 43,295,018	\$ 41,043,638
Noncurrent assets	15,359,932	14,160,745	31,611,654	32,391,318	46,971,586	46,552,063
Total assets	35,952,669	33,439,896	54,313,935	54,155,805	90,266,604	87,595,701
Deferred Outflows of Resources	684,372	399,648	94,566	75,023	778,938	474,671
Liabilities						
Current liabilities	852,936	235,718	2,931,755	1,690,944	3,784,691	1,926,662
Long-term liabilities	1,992,814	1,602,833	4,886,386	5,456,973	6,879,200	7,059,806
Total liabilities	2,845,750	1,838,551	7,818,141	7,147,917	10,663,891	8,986,468
Deferred Inflows of Resources	2,072,258	1,850,734	79,522	41,206	2,151,780	1,891,940
Net Position						
Net investment in capital assets	15,246,932	13,980,745	27,084,695	27,482,857	42,331,627	41,463,602
Restricted	8,681,340	7,602,760	19,426,143	19,558,848	28,107,483	27,161,608
Unrestricted	7,790,761	8,566,754	-	-	7,790,761	8,566,754
Total net position	\$ 31,719,033	\$ 30,150,259	\$ 46,510,838	\$ 47,041,705	\$ 78,229,871	\$ 77,191,964

A significant portion of the assets represents fixed capital improvements. The equity in township capital assets, such as sewer and water lines, is not readily transferable to cash. The unrestricted net position is more liquid in nature and is available to finance day-to-day operations. Unrestricted net position was approximately \$7,791,000 and \$8,567,000 as of March 31, 2021 and 2020, respectively. The current level of unrestricted net position for governmental activities is approximately 25 percent of total governmental activities net position. The reader should note throughout the statements that certain amounts remain restricted for specific items and legally can only be expended on those items, such as land preservation, boulevard landscape maintenance, tree activities, special assessment purposes, sewer and water operations, and capital projects.

Township of Scio

Management's Discussion and Analysis (Continued)

The Township's Changes in Net Position

The following table shows the changes in the net position during the fiscal year as compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue						
Program revenue:						
Charges for services	\$ 2,346,946	\$ 1,446,245	\$ 5,856,943	\$ 5,885,538	\$ 8,203,889	\$ 7,331,783
Operating grants and contributions	146,865	4,310	-	-	146,865	4,310
Capital grants and contributions	-	-	690,807	394,512	690,807	394,512
General revenue:						
Property taxes	3,698,865	2,746,917	-	-	3,698,865	2,746,917
Intergovernmental	1,573,098	1,555,847	-	-	1,573,098	1,555,847
Unrestricted investment earnings	85,002	262,880	107,009	427,935	192,011	690,815
Other revenue:						
Cable franchise fees	281,662	285,349	-	-	281,662	285,349
Other miscellaneous income	83,643	34,098	-	-	83,643	34,098
Total revenue	8,216,081	6,335,646	6,654,759	6,707,985	14,870,840	13,043,631
Program Expenses						
General government	2,836,652	2,557,863	-	-	2,836,652	2,557,863
Public safety	3,088,994	3,081,537	-	-	3,088,994	3,081,537
Public works	529,276	168,349	-	-	529,276	168,349
Parks and recreation	184,226	-	-	-	184,226	-
Debt service	8,159	11,355	-	-	8,159	11,355
Water	-	-	3,705,299	3,313,376	3,705,299	3,313,376
Sewer	-	-	3,480,327	3,512,648	3,480,327	3,512,648
Total program expenses	6,647,307	5,819,104	7,185,626	6,826,024	13,832,933	12,645,128
Change in Net Position	\$ 1,568,774	\$ 516,542	\$ (530,867)	\$ (118,039)	\$ 1,037,907	\$ 398,503

Governmental Activities

Charges for services increased during the current year due to the voted increase in the Township-wide fire special assessment district and a new roads special assessment district.

Business-type Activities

The Township's largest business-type activities consist of the Water and Sewer funds. All assets, liabilities, revenue, and expenses are restricted solely for those operations. The Township provides water and sewage services to property owners within a defined district in the Township. The water supply and sewerage processing are through contract with the City of Ann Arbor, Michigan (the "City").

The Township's operational responsibility for sewer and water is limited to the service lines and pumping facilities located within the borders of the Township. The utilities department continues to implement an adopted capital improvement program. Over the past eight years, the department implemented an extensive inflow and infiltration (I&I) program on the sanitary sewer system that has led to fewer problems with wet-weather flooding.

The Loch Alpine Sewer Authority also provides public utility service in the Township, but it is a separate entity from the Township and is subject to a separate audit.

Financial Analysis of Individual Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of the fund balance that has not yet been limited to use for a particular purpose by an external party. Uncommitted or unassigned fund balance provides further information about the resources that have not been constrained by either the board of trustees or a group or individual that has been delegated authority to assign resources for use for particular purposes by the board of trustees.

Within these governmental funds, the General Fund is the most significant to understanding the Township's financial activities. In addition, the Water and Sewer funds are a significant enterprise activity for the Township. A brief analysis of each of those funds is presented below:

Township Funds

The analysis of the Township's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds. The township board of trustees creates accounting funds to segregate moneys, manage money for specific purposes, and show accountability for certain activities, such as special property tax millages. The Township's major funds include the General Fund, Open Space Land Preservation Fund, Fire Department Fund, Sewer Fund, Water Fund, Township Road Improvement Special Assessment Fund, and Fire Station Renovation Fund.

The General Fund revenue is not restricted or dedicated to specific uses. The General Fund pays for most of the Township's governmental services. The most significant expenditures are those for the police department, which incurred expenses of approximately \$1,330,727 in fiscal year 2021 and \$1,354,107 in 2020. All public safety expenditures except for the fire department have been funded entirely by the General Fund. The dedicated fire special assessment has funded the fire department since 2010.

The Township's Downtown Development Authority (DDA) remains a major player in the physical development of the Township. Jackson Road improvements have been funded by the DDA through the capture of 50 percent of the property tax increment funds in its district since 1986. Thus, the DDA captures 50 percent of the new taxes that would be available for unrestricted general operations of the Township from its district, the major growth area of the Township. However, the DDA also captures taxes from other jurisdictions that can be used for DDA purposes. The DDA has incurred most of the Township's outstanding debt for improvements to Jackson Road, as discussed below. The debt will be repaid through the collection of future tax increments.

The Fire Department Fund accounts for moneys collected under the fire special assessment district millage. These funds are required to be used only for the provision of fire services to the community.

Budgetary Highlights

Over the course of the year, the Township amended the budget in a legally permissible manner to reflect changing events. There were amendments made in the Township's General Fund budget for increases in general government, elections, and boards and commissions expenditures related to an increase in technology costs to implement remote work for staff, an increase in additional equipment and supplies required to conduct the 2020 elections, and unanticipated planning and zoning expenses. The General Fund budget was also amended during the year for the \$802,000 transfer out to the Fire Station Renovation Fund.

Capital Assets and Debt Administration

At the end of fiscal year 2021, the Township had approximately \$47 million invested in a broad range of capital assets, including buildings, fire equipment, and water and sewer lines (not including the Jackson Road improvements). Capital assets are not liquid and cannot be easily transferred to cash equivalents.

The Township's Downtown Development Authority has a debt obligation at the end of the audit year of approximately \$6.8 million. The proceeds from these debt issuances financed the development of the Jackson Road corridor. The DDA amended its financing plan in fall 2006 to extend its life and fund Phase III of Jackson Road. A bond issue of \$3.47 million was sold in February 2012, refunding the remaining debt from the 2002 issue. A bond issue of \$9.7 million was sold in December 2006. An additional \$3.3 million of debt was issued in 2008. A bond issue of \$6.88 million was sold in July 2015, refunding the remaining debt from the 2006 issue. Per the adopted DDA financing plan, all bond payments will be met by the DDA through the capture of tax increment revenue. The Washtenaw County Road Commission has full jurisdiction over the road, retains the asset, and is responsible for the project and contract administration of funds from township, state, and federal sources. The numbers in this audit represent contributions from the DDA and the Township's sewer funds. The total final costs, including acquisition, design, and construction through Phase III, were approximately \$22 million and were completed in 2011. The proposed Phase IV construction (Dino Drive to Parker Road) has been planned since 1986; however, the uncertainty over the current state of the economy and a decrease in the level of activity on this portion of the road means that the start of this final phase will continue to be on hold for the foreseeable future.

Economic Factors and Next Year's Forecast

The Township continues to navigate the economic uncertainty caused by the pandemic. Scio Township is fortunate to be in the 86th percentile of property tax health, defined as the total taxable value per capita, and it has been steadily increasing since 2017. Further, the Township continues to proactively seek state, federal, and private funding to leverage local revenue.

Most readers are familiar with fiscal planning that occurs on a calendar-year basis. However, when analyzing various funding cycles that apply to the statements in this report, one needs to consider the varying fiscal years of the State of Michigan (October 1 to September 30); Washtenaw County, Michigan (January 1 to December 31); and the Township of Scio (April 1 to March 31).

Contacting Township Management

This financial report is intended to provide our residents, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the township board via the clerk at clerk@sciotownship.org.

Township of Scio

Statement of Net Position

March 31, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 16,605,775	\$ 21,828,632	\$ 38,434,407	\$ 3,726,008
Receivables:				
Property taxes receivable	18,796	-	18,796	-
Special assessments receivable	1,296,570	-	1,296,570	-
Customer receivables - Net	112,535	873,649	986,184	-
Other receivables	5,800	-	5,800	-
Due from other governmental units	630,819	-	630,819	191
Due from component units	465	-	465	-
Prepaid expenses	221,977	-	221,977	-
Capital assets - Net: (Note 6)				
Nondepreciated	10,668,996	2,404,592	13,073,588	16,077,315
Depreciated	4,690,936	29,207,062	33,897,998	6,159,698
Note receivable (Note 4)	1,700,000	-	1,700,000	-
Total assets	35,952,669	54,313,935	90,266,604	25,963,212
Deferred Outflows of Resources				
Bond refunding loss being amortized	-	-	-	212,300
Deferred outflows related to pensions (Note 10)	435,500	73,533	509,033	-
Deferred outflows related to other postemployment benefits (Note 11)	248,872	21,033	269,905	-
Total deferred outflows of resources	684,372	94,566	778,938	212,300
Liabilities				
Accounts payable	584,990	1,275,542	1,860,532	31,133
Due to other governmental units	-	1,346,961	1,346,961	1,885
Due to primary government	-	-	-	465
Accrued liabilities and other	267,946	309,252	577,198	75,304
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 8)	154,627	29,822	184,449	-
Current portion of long-term debt (Note 8)	-	392,255	392,255	984,571
Due in more than one year:				
Net pension liability (Note 10)	607,349	235,147	842,496	-
Total OPEB liability	1,117,838	94,458	1,212,296	-
Long-term debt - Net of current portion (Note 8)	113,000	4,134,704	4,247,704	5,793,282
Total liabilities	2,845,750	7,818,141	10,663,891	6,886,640
Deferred Inflows of Resources				
Special assessment revenue for the following year	1,819,432	-	1,819,432	-
Deferred pension cost reductions (Note 10)	222,087	76,924	299,011	-
Deferred OPEB cost reductions (Note 11)	30,739	2,598	33,337	-
Total deferred inflows of resources	2,072,258	79,522	2,151,780	-

Township of Scio

Statement of Net Position (Continued)

March 31, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 15,246,932	\$ 27,084,695	\$ 42,331,627	\$ 15,671,460
Restricted for:				
Metro act	44,141	-	44,141	-
Land preservation	3,196,229	-	3,196,229	-
Debt service	38,950	-	38,950	-
Public safety	932,413	-	932,413	-
Water operations	-	4,893,297	4,893,297	-
Sewer operations	-	14,532,846	14,532,846	-
Road improvement	2,409,260	-	2,409,260	-
Bridge maintenance	51,783	-	51,783	-
Bus	678,261	-	678,261	-
Public improvement	451,805	-	451,805	-
Tree mitigation	222,333	-	222,333	-
Parks and recreation	656,165	-	656,165	-
Unrestricted	7,790,761	-	7,790,761	3,617,412
	\$ 31,719,033	\$ 46,510,838	\$ 78,229,871	\$ 19,288,872
Total net position				

Township of Scio

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,836,652	\$ 300,399	\$ 16,633	\$ -
Public safety - Police, fire, and EMS	3,088,994	1,745,454	130,232	-
Public works	529,276	301,093	-	-
Parks and recreation	184,226	-	-	-
Debt service	8,159	-	-	-
Total governmental activities	<u>6,647,307</u>	<u>2,346,946</u>	<u>146,865</u>	<u>-</u>
Business-type activities:				
Water Fund	3,705,299	3,001,206	-	244,692
Sewer Fund	3,480,327	2,855,737	-	446,115
Total business-type activities	<u>7,185,626</u>	<u>5,856,943</u>	<u>-</u>	<u>690,807</u>
Total primary government	<u>\$ 13,832,933</u>	<u>\$ 8,203,889</u>	<u>\$ 146,865</u>	<u>\$ 690,807</u>
Component units - Downtown Development Authority	<u>\$ 1,102,147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenue:
 Property taxes
 State-shared revenue
 Investment income
 Franchise fees
 Other miscellaneous income
 Total general revenue

Change in Net Position
Net Position - Beginning of year
Net Position - End of year

Statement of Activities

Year Ended March 31, 2021

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,519,620)	\$ -	\$ (2,519,620)	\$ -
(1,213,308)	-	(1,213,308)	-
(228,183)	-	(228,183)	-
(184,226)	-	(184,226)	-
(8,159)	-	(8,159)	-
(4,153,496)	-	(4,153,496)	-
-	(459,401)	(459,401)	-
-	(178,475)	(178,475)	-
-	(637,876)	(637,876)	-
(4,153,496)	(637,876)	(4,791,372)	-
-	-	-	(1,102,147)
3,698,865	-	3,698,865	1,659,748
1,573,098	-	1,573,098	132,374
85,002	107,009	192,011	2,706
281,662	-	281,662	-
83,643	-	83,643	-
5,722,270	107,009	5,829,279	1,794,828
1,568,774	(530,867)	1,037,907	692,681
30,150,259	47,041,705	77,191,964	18,596,191
\$ 31,719,033	\$ 46,510,838	\$ 78,229,871	\$ 19,288,872

Township of Scio

Governmental Funds Balance Sheet

March 31, 2021

	General Fund	Open Space Land Preservation Fund	Fire Department Fund	Township Road Improvement Special Assessment Fund	Fire Station Renovation Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments (Note 3)	\$ 6,214,988	\$ 1,486,277	\$ 2,667,587	\$ 1,457,010	\$ 2,581,038	\$ 2,198,875	\$ 16,605,775
Receivables - Net:							
Property taxes receivable	9,859	3,728	-	-	-	5,209	18,796
Special assessments receivable	-	-	-	1,282,301	-	14,269	1,296,570
Customer receivables - Net	110,541	-	1,994	-	-	-	112,535
Other receivables	5,800	-	-	-	-	-	5,800
Due from other governmental units	439,470	30,758	88,228	17,447	-	54,916	630,819
Due from component units	465	-	-	-	-	-	465
Due from other funds (Note 7)	456,078	-	-	-	-	-	456,078
Advances to other funds (Note 7)	1,500,000	-	-	-	-	-	1,500,000
Prepaid expenses	217,413	-	4,463	50,409	-	20,742	293,027
Note receivable (Note 4)	-	1,700,000	-	-	-	-	1,700,000
Total assets	\$ 8,954,614	\$ 3,220,763	\$ 2,762,272	\$ 2,807,167	\$ 2,581,038	\$ 2,294,011	\$ 22,619,865
Liabilities							
Accounts payable	\$ 202,195	\$ 24,534	\$ 12,367	\$ 22,829	\$ 253,492	\$ 69,573	\$ 584,990
Due to other funds (Note 7)	-	-	-	375,078	-	81,000	456,078
Advances from other funds (Note 7)	-	-	-	-	1,500,000	-	1,500,000
Accrued liabilities and other	244,340	-	23,606	-	-	-	267,946
Total liabilities	446,535	24,534	35,973	397,907	1,753,492	150,573	2,809,014
Deferred Inflows of Resources (Note 5)	124,959	2,594	1,819,432	1,282,301	-	17,152	3,246,438
Fund Balances							
Nonspendable:							
Prepays	217,413	-	4,463	50,409	-	20,742	293,027
Long-term advances to other funds	1,500,000	-	-	-	-	-	1,500,000
Restricted:							
Roads	-	-	-	1,076,550	-	-	1,076,550
Land preservation	-	3,193,635	-	-	-	-	3,193,635
Public safety	-	-	902,404	-	25,546	-	927,950
Debt service	-	-	-	-	-	3,939	3,939
Tree mitigation	-	-	-	-	-	222,333	222,333
Parks and recreation	-	-	-	-	-	654,608	654,608
Bus	-	-	-	-	-	676,935	676,935
Metro act	-	-	-	-	-	44,141	44,141
Public improvements	-	-	-	-	-	451,805	451,805
Bridge maintenance	-	-	-	-	-	51,783	51,783
Assigned - Public safety capital projects	-	-	-	-	802,000	-	802,000
Unassigned	6,665,707	-	-	-	-	-	6,665,707
Total fund balances	8,383,120	3,193,635	906,867	1,126,959	827,546	2,126,286	16,564,413
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,954,614	\$ 3,220,763	\$ 2,762,272	\$ 2,807,167	\$ 2,581,038	\$ 2,294,011	\$ 22,619,865

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

March 31, 2021

Fund Balances Reported in Governmental Funds	\$ 16,564,413
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 are not reported in the funds	15,359,932
Grants and other receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	1,427,006
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(184,050)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(154,627)
Net pension liability and related deferred inflows and outflows	(393,936)
Other postemployment benefit liability and related deferred inflows and outflows	(899,705)
Net Position of Governmental Activities	<u><u>\$ 31,719,033</u></u>

Township of Scio

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended March 31, 2021

	General Fund	Open Space Land Preservation Fund	Fire Department Fund	Township Road Improvement Special Assessment Fund	Fire Station Renovation Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue							
Property taxes	\$ 1,211,256	\$ 620,008	\$ -	\$ -	\$ -	\$ 1,293,735	\$ 3,124,999
Special assessments	-	-	1,745,424	609,755	-	19,494	2,374,673
Intergovernmental:							
Federal grants	16,633	-	130,232	-	-	-	146,865
State sources	1,537,772	14,946	-	-	-	10,973	1,563,691
Locally raised	1,151,135	-	30	-	-	-	1,151,165
Rental income	9,250	-	-	-	-	-	9,250
Investment income	39,472	1,548	8,770	25,708	231	9,273	85,002
Other miscellaneous income	55,420	-	3,289	425	-	15,259	74,393
Total revenue	4,020,938	636,502	1,887,745	635,888	231	1,348,734	8,530,038
Expenditures							
Current:							
General government	2,204,061	-	-	-	-	232,973	2,437,034
Public safety	1,353,203	-	1,582,537	-	1,022,966	230	3,958,936
Public works	60,982	641	-	767,368	-	230	829,221
Parks and recreation	-	-	-	-	-	184,226	184,226
Capital outlay	27,794	102,627	-	-	-	-	130,421
Debt service	-	-	-	55,954	-	21,845	77,799
Total expenditures	3,646,040	103,268	1,582,537	823,322	1,022,966	439,504	7,617,637
Excess of Revenue Over (Under) Expenditures	374,898	533,234	305,208	(187,434)	(1,022,735)	909,230	912,401
Other Financing Sources (Uses)							
Transfers in (Note 7)	-	-	-	-	1,850,281	-	1,850,281
Transfers out (Note 7)	(802,000)	-	(273,558)	-	-	(774,723)	(1,850,281)
Proceeds from sale of land held for resale	-	20,486	-	-	-	-	20,486
Total other financing (uses) sources	(802,000)	20,486	(273,558)	-	1,850,281	(774,723)	20,486
Net Change in Fund Balances	(427,102)	553,720	31,650	(187,434)	827,546	134,507	932,887
Fund Balances - Beginning of year	8,810,222	2,639,915	875,217	1,314,393	-	1,991,779	15,631,526
Fund Balances - End of year	\$ 8,383,120	\$ 3,193,635	\$ 906,867	\$ 1,126,959	\$ 827,546	\$ 2,126,286	\$ 16,564,413

Township of Scio

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended March 31, 2021

Net Change in Fund Balances Reported in Governmental Funds	\$ 932,887
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,491,758
Depreciation expense	(271,946)
Net book value of capital assets and land held for resale disposed of	(20,625)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(313,957)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	67,000
Change in accrued interest payable and other	2,642
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(318,985)
Change in Net Position of Governmental Activities	<u>\$ 1,568,774</u>

Township of Scio

Proprietary Funds Statement of Net Position

March 31, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 1,257,178	\$ 3,469,313	\$ 4,726,491
Investments (Note 3)	4,729,175	12,372,966	17,102,141
Customer receivables - Net	399,541	474,108	873,649
Total current assets	6,385,894	16,316,387	22,702,281
Noncurrent assets - Capital assets (Note 6)	17,437,978	14,173,676	31,611,654
Total assets	23,823,872	30,490,063	54,313,935
Deferred Outflows of Resources			
Deferred outflows related to pensions (Note 10)	35,832	37,701	73,533
Deferred outflows related to other postemployment benefits (Note 11)	10,516	10,517	21,033
Total deferred outflows of resources	46,348	48,218	94,566
Liabilities			
Current liabilities:			
Accounts payable	619,793	655,749	1,275,542
Due to other governmental units	535,271	811,690	1,346,961
Accrued liabilities and other	165,768	143,484	309,252
Compensated absences	14,911	14,911	29,822
Current portion of long-term debt (Note 8)	392,255	-	392,255
Total current liabilities	1,727,998	1,625,834	3,353,832
Noncurrent liabilities:			
Net pension liability (Note 10)	116,707	118,440	235,147
Total OPEB liability	47,229	47,229	94,458
Long-term debt - Net of current portion (Note 8)	4,134,704	-	4,134,704
Total noncurrent liabilities	4,298,640	165,669	4,464,309
Total liabilities	6,026,638	1,791,503	7,818,141
Deferred Inflows of Resources			
Deferred pension cost reductions (Note 10)	37,967	38,957	76,924
Deferred OPEB cost reductions (Note 11)	1,299	1,299	2,598
Total deferred inflows of resources	39,266	40,256	79,522
Net Position			
Net investment in capital assets	12,911,019	14,173,676	27,084,695
Restricted for:			
Water operations	4,893,297	-	4,893,297
Sewer operations	-	14,532,846	14,532,846
Total net position	<u>\$ 17,804,316</u>	<u>\$ 28,706,522</u>	<u>\$ 46,510,838</u>

Township of Scio

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position

Year Ended March 31, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenue			
Charges for services	\$ 2,919,583	\$ 2,715,923	\$ 5,635,506
Other	81,623	139,814	221,437
Total operating revenue	3,001,206	2,855,737	5,856,943
Operating Expenses			
Cost of water	2,406,027	-	2,406,027
Cost of sewage treatment	-	2,122,060	2,122,060
Operation and maintenance	255,906	580,202	836,108
General and administrative	402,103	309,754	711,857
Depreciation	526,089	468,311	994,400
Total operating expenses	3,590,125	3,480,327	7,070,452
Operating Loss	(588,919)	(624,590)	(1,213,509)
Nonoperating Revenue (Expense)			
Investment interest income	39,581	67,428	107,009
Interest expense	(115,174)	-	(115,174)
Total nonoperating (expense) revenue	(75,593)	67,428	(8,165)
Loss - Before contributions	(664,512)	(557,162)	(1,221,674)
Capital Contributions - Other capital contributions	244,692	446,115	690,807
Change in Net Position	(419,820)	(111,047)	(530,867)
Net Position - Beginning of year	18,224,136	28,817,569	47,041,705
Net Position - End of year	\$ 17,804,316	\$ 28,706,522	\$ 46,510,838

Township of Scio

Proprietary Funds Statement of Cash Flows

Year Ended March 31, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 3,002,337	\$ 2,856,481	\$ 5,858,818
Payments to suppliers	(2,539,868)	(2,596,274)	(5,136,142)
Payments to employees	(295,594)	(315,556)	(611,150)
Other receipts	5,459	-	5,459
	<u>172,334</u>	<u>(55,349)</u>	<u>116,985</u>
Net cash and cash equivalents provided by (used in) operating activities			
Cash Flows from Capital and Related Financing Activities			
Collection of connection fees	244,692	446,115	690,807
Tap fees collected on behalf of the City of Ann Arbor, Michigan	253,492	501,789	755,281
Purchase of capital assets	(154,399)	(60,337)	(214,736)
Debt service	(510,218)	-	(510,218)
	<u>(166,433)</u>	<u>887,567</u>	<u>721,134</u>
Net cash and cash equivalents (used in) provided by capital and related financing activities			
Cash Flows from Investing Activities			
Interest received on investments	40,171	68,226	108,397
Purchase of investment securities	(36,840)	(60,454)	(97,294)
	<u>3,331</u>	<u>7,772</u>	<u>11,103</u>
Net cash and cash equivalents provided by investing activities			
Net Increase in Cash and Cash Equivalents	9,232	839,990	849,222
Cash and Cash Equivalents - Beginning of year	<u>1,247,946</u>	<u>2,629,323</u>	<u>3,877,269</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 1,257,178</u></u>	<u><u>\$ 3,469,313</u></u>	<u><u>\$ 4,726,491</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (588,919)	\$ (624,590)	\$ (1,213,509)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	526,089	468,311	994,400
Changes in assets and liabilities:			
Receivables	6,590	744	7,334
Net pension and OPEB liabilities	(87,850)	(87,848)	(175,698)
Accounts payable	311,864	206,396	518,260
Accrued and other liabilities	4,560	(18,362)	(13,802)
	<u>761,253</u>	<u>569,241</u>	<u>1,330,494</u>
Total adjustments			
Net cash and cash equivalents provided by (used in) operating activities	<u><u>\$ 172,334</u></u>	<u><u>\$ (55,349)</u></u>	<u><u>\$ 116,985</u></u>

Township of Scio

Fiduciary Funds Statement of Fiduciary Net Position

March 31, 2021

	Custodial Funds		Total Fiduciary Funds
	Current Tax Collection Fund	Delinquent Tax Collection Fund	
Assets			
Cash and cash equivalents	\$ 1,171,887	\$ 263,620	\$ 1,435,507
Due from component units	1,885	-	1,885
Total assets	1,173,772	263,620	1,437,392
Liabilities - Due to other governmental units	1,173,772	263,620	1,437,392
Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Township of Scio

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended March 31, 2021

	Custodial Funds		Total Fiduciary Funds
	Current Tax Collection Fund	Delinquent Tax Collection Fund	
Additions - Property tax collections	\$ 52,466,706	\$ 52,188	\$ 52,518,894
Deductions - Tax distributions to other governments	52,466,706	52,188	52,518,894
Net Increase (Decrease) in Fiduciary Net Position	-	-	-
Net Position - Beginning of year	-	-	-
Net Position - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Township of Scio

Component Units Statement of Net Position

March 31, 2021

	Downtown Development Authority	Economic Development Corporation	Total
Assets			
Cash and investments	\$ 3,715,755	\$ 10,253	\$ 3,726,008
Receivables - Due from other governmental units	191	-	191
Capital assets (Note 6)	22,237,013	-	22,237,013
Total assets	25,952,959	10,253	25,963,212
Deferred Outflows of Resources - Bond refunding loss being amortized			
	212,300	-	212,300
Liabilities			
Accounts payable	31,133	-	31,133
Due to other governmental units	1,885	-	1,885
Due to primary government	465	-	465
Accrued interest payable	75,304	-	75,304
Long-term debt:			
Due within one year - Current portion of long-term debt	984,571	-	984,571
Due in more than one year - Long-term debt	5,793,282	-	5,793,282
Total liabilities	6,886,640	-	6,886,640
Net Position			
Net investment in capital assets	15,671,460	-	15,671,460
Unrestricted	3,607,159	10,253	3,617,412
Total net position	\$ 19,278,619	\$ 10,253	\$ 19,288,872

Township of Scio

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Downtown Development Authority	\$ 1,102,147	\$ -	\$ -	\$ -
Economic Development Corporation	-	-	-	-
Total	\$ 1,102,147	\$ -	\$ -	\$ -

General revenue:

Property taxes

Unrestricted state-shared revenue

Investment income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Component Units
Statement of Activities

Year Ended March 31, 2021

Net (Expense) Revenue and Changes in Net Position		
Downtown Development Authority	Economic Development Corporation	Total
\$ (1,102,147)	\$ -	\$ (1,102,147)
-	-	-
(1,102,147)	-	(1,102,147)
1,659,748	-	1,659,748
132,374	-	132,374
2,701	5	2,706
1,794,823	5	1,794,828
692,676	5	692,681
18,585,943	10,248	18,596,191
\$ 19,278,619	\$ 10,253	\$ 19,288,872

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The Township of Scio (the "Township") follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township of Scio is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Blended component units are, in substance, part of the Township's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the Township. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township (see discussion below for description).

Blended Component Units

The Building Authority was created to provide for the financing of renovations to the Township Hall. The Building Authority's governing body, which consists of three individuals, was created during the fiscal year ended March 31, 1999. Building authority operations consist of the issuance and repayment of debt and the construction of facilities. Although it is legally separate from the Township, the Building Authority is reported as if it were part of the primary government because its primary purpose is to finance and construct the Township's public buildings.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority (DDA or the "Authority") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The Authority's governing body, which consists of nine individuals, is selected by the Township's board. In addition, the Authority's budget is subject to approval by the Township's board. Interim internal financial statements are prepared monthly and available at the Township Hall. The report may be obtained by writing to the Township at 827 North Zeeb Road, Ann Arbor, MI 48103.

Economic Development Corporation

The Economic Development Corporation (the "Corporation") was created to provide the means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents of the Township. A 10-member board appointed by the township board administers the Economic Development Corporation. Interim financial statements are prepared monthly and available at the Township Hall. The report may be obtained by writing to the Township at 827 North Zeeb Road, Ann Arbor, MI 48103.

Note 1 - Significant Accounting Policies (Continued)

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not included among program revenue are properly reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Note 1 - Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Fund Accounting

The Township accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Township reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Open Space Land Preservation Fund accounts for moneys collected to be used for permanent preservation of farmland, open space, wildlife, etc. and to provide new parks and recreational opportunities.
- The Fire Department Fund is used to account for moneys collected and expended for fire protection services.
- The Township Road Improvement Special Assessment Fund is used to account for the moneys collected and expended for road improvements. This fund includes the Township Special Assessment District Fund, Township Road Improvement Revolving Fund, Newman Boulevard Special Assessment District Fund, the 2014 Road Special Assessment District Fund, Park Road Special Assessment District Fund, the 2015 Road Special Assessment District Road Fund, the 2016 Road Special Assessment Fund, the 2017 Road Special Assessment Fund, and the 2018 Road Special Assessment Fund.
- The Fire Station Renovation Fund is used to account for moneys collected and expended for renovating the Township's fire stations.

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees). The Township reports the following funds as major enterprise funds:

- The Water Fund accounts for activities of the water distribution system.
- The Sewer Fund accounts for activities of the sewage collection system.

Note 1 - Significant Accounting Policies (Continued)

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate the Township's programs. Activities that are reported as fiduciary include the following:

- The Tax Collection Fund and Delinquent Tax Collection Fund collect taxes on behalf of all the taxing authorities (state, county, school district, township, and the various smaller authorities) and accounts for these assets held by the Township in a trustee capacity. These funds record tax collections received and remitted to other units of other taxing authorities.

Interfund Activity

During the course of operations, the Township has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are reported at fair value. Pooled investment income from the General Fund is generally allocated to each fund based on the relative participation in the pool.

Prepaid Items

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

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded by the Township as appropriate based on cost and useful life. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Note 1 - Significant Accounting Policies (Continued)

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Depreciable Life - Years
Sidewalks and other intangible rights	25
Sewer meters	25
Utility system	25-50
Buildings	20-50
Machinery and equipment	5-30
Vehicles	5-20
Land improvements	10-25
Road rights and infrastructure	25

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as other financing sources, as well as bond premiums and discounts. The General Fund and Park Road SAD Fund are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time.

The Township reports deferred outflows of resources for deferred charges on bond refunding in the government-wide financial statements and the Downtown Development Authority. A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The deferred outflows of resources related to the defined benefit pension plan and other postemployment benefit plan are reported in the government-wide financial statements and the Water and Sewer Fund, as described in Notes 10 and 11.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from four sources: grants, delinquent property taxes, state-shared revenue, and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Also, in the government-wide and proprietary funds' financial statements, a deferred inflow has been recorded related to the defined benefit pension plan and other postemployment benefit plan, as described in Notes 10 and 11.

Note 1 - Significant Accounting Policies (Continued)

Net Position

Net position of the Township is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable. Expendable restricted net position has been limited for use by donors and as held in trust for debt service and self-insured professional liability. Nonexpendable restricted net position has been restricted by donors to be maintained in perpetuity. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The Township will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The Township will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of trustees is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Township has, by resolution, authorized the board of trustees to assign fund balance. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Property taxes are levied on each December 1, and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are due on February 14 with the final collection date of the last day of February before they are added to the county tax roll.

March 31, 2021

Note 1 - Significant Accounting Policies (Continued)

The Township's 2020 property tax revenue was levied and collectible on December 31, 2020 and is recognized as revenue in the year ended March 31, 2021 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2020 taxable valuation of the Township totaled \$1.41 billion (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 0.9249 mills for operating purposes, 0.4801 mills for land preservation services, 0.3524 mills for bus transportation, and 0.6500 mills for parks and pathways. After DDA capture, this resulted in approximately \$1,211,000 for operating, \$620,000 for open space land preservation, \$455,000 for bus transportation, and \$839,000 for parks and pathways. These amounts are recognized in the respective General, Open Space Land Preservation, Bus, and Parks and Recreation fund financial statements as tax revenue.

In addition, the Township assesses 0.9000 mills for fire protection under Public Act 33 of 1951. The assessment is collectible on December 1 and is recognized at the beginning of the next fiscal year. As of March 31, 2021, \$1,819,432 is included in deferred inflows. This is reported in the Fire Department Fund.

Special Assessment Revenue

The Township has various special assessments for capital projects throughout the Township. These special assessments are placed on tax bills levied on December 1. Special assessment revenue for the year ended March 31, 2021 is \$629,000 and included in the Township's various capital projects funds. A 10-year special assessment for road construction and maintenance in the amount of \$5.26 million was approved during the year ended March 31, 2014. This assessment is collectible in 10 equal annual installments beginning on December 1, 2013. As of March 31, 2021, \$772,397 is included in deferred inflows. This is reported in the Township Road Improvement Special Assessment Fund.

Pension

The Township offers a defined benefit pension plan to its employees. The Township records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability has generally been liquidated from the funds from which the individual employees' salaries are paid, which are primarily the General Fund, the Fire Department Fund, and Water and Sewer funds.

Other Postemployment Benefit Costs

The Township offers retiree health care benefits to retirees. The Township records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The net OPEB liability has generally been liquidated from the funds from which the individual employees' salaries are paid, which are primarily the General Fund, the Fire Department Fund, and Water and Sewer funds.

March 31, 2021

Note 1 - Significant Accounting Policies (Continued)

Compensated Absences (Paid Time Off)

It is the Township's policy to permit employees to accumulate earned but unused paid time off. All paid time off is accrued when incurred and reported in the government-wide, proprietary, and fiduciary fund financial statements. No liability for these amounts is reported in governmental funds, as there were no employee terminations as of year end.

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund. The claims and judgments liability will generally be liquidated through the Township's General Fund.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer funds is charges to customers for sales and services. The Water and Sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

During the current year, the Township adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The following activities were previously reported as fiduciary activities but no longer meet the definition of such; therefore, these activities are now reported within governmental or proprietary funds: property taxes collected for the Township and performance deposits and escrows.

Upcoming Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Township's financial statements for the year ended March 31, 2021 but were extended to March 31, 2023 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Note 1 - Significant Accounting Policies (Continued)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement were originally effective for the Township's financial statements for the March 31, 2021 fiscal year but were extended to March 31, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The Township does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Construction Code Fees

The Township does not collect construction code fees, as allowed by the State's Construction Code Act. Accordingly, no separate reporting of this activity has been reflected in the financial statements.

Noncompliance with Legal Provisions

Section 4(l)(a)(i)(ii) of Public Act 202 of 2017 requires the local unit to pay retiree insurance premiums for the year, as well as the normal costs for the new employees hired after June 30, 2018. As of March 31, 2021, the Township has not set up a trust to pay retiree insurance premiums for the year, as well as the normal costs for the new employees hired after June 30, 2018.

Public Act 196 of 1997, as amended, requires the local unit to provide an investment report to the governing body on a quarterly basis. During the year ended March 31, 2021, the Township did not provide the governing body with an investment report on a quarterly basis.

March 31, 2021

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Public Act 206 of 1893, the General Property Tax Act, requires the local unit to distribute tax revenue that was collected for another taxing unit timely. During the year ended March 31, 2021, there were instances when the Township's distribution of tax revenue to other taxing units was in excess of 15 days.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated six banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority, as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$12,544,611 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized; the component units had \$1,639,549 of bank deposits that was uninsured and uncollateralized. The Township believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the Township had the following investments:

Investment	Fair Value	Weighted- average Maturity (Days)
Commercial paper	\$ 11,174,638	157

March 31, 2021

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Commercial paper	\$ 11,174,638	A1, A2	S&P
Money market	9,482,954	Unrated	S&P
Bank investment pool	<u>7,098,276</u>	AAA	S&P
Total	<u>\$ 27,755,868</u>		

Fair Value Measurements

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Township's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Township has the following recurring fair value measurements as of March 31, 2021:

- Money market funds of \$9,482,954 (equity securities) are valued using quoted market prices (Level 1 inputs).
- Corporate fixed income of \$11,174,638 (debt securities) are valued using a matrix pricing model (Level 2 inputs).
- Investment pools of \$7,098,276 (equity securities) are valued using quoted market prices (Level 1 inputs).

Note 4 - Notes Receivable

The Township sold a parcel of land on March 27, 2020. There are two outstanding promissory notes related to the sale of the land. Both notes have a 0 percent interest rate and mature on April 1, 2025. The outstanding balances at March 31, 2021 are \$900,000 and \$800,000.

March 31, 2021

Note 5 - Deferred Inflows of Resources

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	Governmental Funds
Delinquent property taxes - Unavailable	\$ 12,758
Special assessments - Unavailable	1,296,570
State-shared revenue - Unavailable	117,678
Special assessment revenue for the following year	1,819,432
Total deferred inflows of resources	\$ 3,246,438

Note 6 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities and discretely presented component units was as follows:

Governmental Activities

	Balance April 1, 2020	Reclassifications	Additions	Disposals	Balance March 31, 2021
Capital assets not being depreciated:					
Land	\$ 1,006,268	\$ -	\$ -	\$ -	\$ 1,006,268
Land preservation - Land and easement	8,009,688	-	-	(20,486)	7,989,202
Construction in progress	17,723	-	1,439,848	-	1,457,571
Drain rights and infrastructure	215,955	-	-	-	215,955
Subtotal	9,249,634	-	1,439,848	(20,486)	10,668,996
Capital assets being depreciated:					
Sidewalks and other intangible rights	2,181,108	-	-	-	2,181,108
Buildings	2,959,517	-	-	-	2,959,517
Equipment	1,127,763	-	19,557	(51,964)	1,095,356
Vehicles	1,319,920	-	32,353	-	1,352,273
Land improvements	169,398	-	-	-	169,398
Subtotal	7,757,706	-	51,910	(51,964)	7,757,652
Accumulated depreciation:					
Sidewalks and other intangible rights	440,571	-	87,244	-	527,815
Buildings	1,020,123	-	63,540	-	1,083,663
Equipment	631,027	-	54,198	(51,825)	633,400
Vehicles	615,730	-	64,418	-	680,148
Land improvements	139,144	-	2,546	-	141,690
Subtotal	2,846,595	-	271,946	(51,825)	3,066,716
Net capital assets being depreciated	4,911,111	-	(220,036)	(139)	4,690,936
Net governmental activities capital assets	<u>\$ 14,160,745</u>	<u>\$ -</u>	<u>\$ 1,219,812</u>	<u>\$ (20,625)</u>	<u>\$ 15,359,932</u>

March 31, 2021

Note 6 - Capital Assets (Continued)

Business-type Activities

	Balance April 1, 2020	Reclassifications	Additions	Disposals	Balance March 31, 2021
Capital assets not being depreciated:					
Land	\$ 1,995,542	\$ -	\$ -	\$ -	\$ 1,995,542
Construction in progress	307,049	-	102,001	-	409,050
Subtotal	2,302,591	-	102,001	-	2,404,592
Capital assets being depreciated:					
Utility systems	44,408,283	-	108,000	-	44,516,283
Buildings	2,413,580	-	-	-	2,413,580
Machinery and equipment	469,448	-	4,735	-	474,183
Vehicles	81,426	-	-	-	81,426
Sewer meters	7,118	-	-	-	7,118
Subtotal	47,379,855	-	112,735	-	47,492,590
Accumulated depreciation:					
Utility system	16,216,590	-	914,394	-	17,130,984
Buildings	683,445	-	52,317	-	735,762
Machinery and equipment	318,013	-	25,112	-	343,125
Vehicles	65,962	-	2,577	-	68,539
Sewer meters	7,118	-	-	-	7,118
Subtotal	17,291,128	-	994,400	-	18,285,528
Net capital assets being depreciated	30,088,727	-	(881,665)	-	29,207,062
Net business-type activities capital assets	\$ 32,391,318	\$ -	\$ (779,664)	\$ -	\$ 31,611,654

Component Units

	Balance April 1, 2020	Reclassifications	Additions	Disposals	Balance March 31, 2021
Capital assets not being depreciated:					
Construction in progress	\$ -	\$ -	\$ 66,604	\$ -	\$ 66,604
Road rights and infrastructure	16,010,711	-	-	-	16,010,711
Subtotal	16,010,711	-	66,604	-	16,077,315
Capital assets being depreciated -					
Road rights and infrastructure	21,926,424	-	-	-	21,926,424
Accumulated depreciation - Road rights and infrastructure	14,889,670	-	877,056	-	15,766,726
Net capital assets being depreciated	7,036,754	-	(877,056)	-	6,159,698
Net component units capital assets	\$ 23,047,465	\$ -	\$ (810,452)	\$ -	\$ 22,237,013

March 31, 2021

Note 6 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 165,097
Public safety		<u>106,849</u>
Total governmental activities		<u>\$ 271,946</u>
Business-type activities:		
Water		\$ 526,089
Sewer		<u>468,311</u>
Total business-type activities		<u>\$ 994,400</u>
Component unit activities - Public works		<u>\$ 877,056</u>

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Township Road Improvement Special Assessment Fund	\$ 375,078
	Other nonmajor governmental funds	<u>81,000</u>
	Total	<u>\$ 456,078</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payment between funds are made.

The Township has made the following long-term advances between funds:

<u>Fund Borrowed From</u>	<u>Fund Loaned To</u>	<u>Amount</u>
General Fund	Fire Station Renovation Fund	\$ 1,500,000

During 2021, the Township's General Fund loaned the Fire Station Renovation Fund \$1,500,000 at 0 percent interest to finance the fire station expansion and renovation project. The long-term advance is to be repaid over a 20-year period, with an annual payment of no less than \$75,000.

Interfund transfers reported in the fund financial statements are composed of the following:

<u>Paying Fund (Transfer Out)</u>	<u>Receiving Fund (Transfer In)</u>	<u>Amount</u>
Fire Department Fund	Fire Station Renovation Fund	\$ 273,558
General Fund	Fire Station Renovation Fund	802,000
Public Safety and Improvement Fund	Fire Station Renovation Fund	<u>774,723</u>
	Total	<u>\$ 1,850,281</u>

The transfers from the Fire Department, General, and Public Safety and Improvement funds to the Fire Station Renovation Fund are related to capital outlays for the fire station renovation project.

March 31, 2021

Note 8 - Long-term Debt

Long-term debt activity for the year ended March 31, 2021 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Other debt:							
2012 Special Assessment Bonds -							
Amount of issue: \$190,000							
Maturing through April 2022	3.71%	\$20,000	\$ 40,000	\$ -	\$ (20,000)	\$ 20,000	\$ -
2013 Special Assessment Bonds -							
Amount of issue: \$460,000		\$46,000 -					
Maturing through April 2023	4.87%	\$47,000	140,000	-	(47,000)	93,000	-
Accumulated compensated absences			139,685	169,596	(154,654)	154,627	154,627
Total governmental activities			<u>\$ 319,685</u>	<u>\$ 169,596</u>	<u>\$ (221,654)</u>	<u>\$ 267,627</u>	<u>\$ 154,627</u>

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
2008 DWRF Bonds -							
Amount of issue: \$2,490,749							
Maturing through October 2028	2.50%	\$5,749 - \$170,000	\$ 945,749	\$ -	\$ (160,000)	\$ 785,749	\$ 165,000
Contractual obligation to the City of Ann Arbor, Michigan related to the City's 2012 DWRF Bonds -							
Amount of issue: \$4,882,478		\$227,255 -					
Maturing through April 2034	2.50%	\$310,800	3,962,712	-	(221,502)	3,741,210	227,255
Total direct borrowings and direct placements principal outstanding			4,908,461	-	(381,502)	4,526,959	392,255
Compensated absences			23,184	42,583	(35,945)	29,822	29,822
Total business-type activities			<u>\$ 4,931,645</u>	<u>\$ 42,583</u>	<u>\$ (417,447)</u>	<u>\$ 4,556,781</u>	<u>\$ 422,077</u>

March 31, 2021

Note 8 - Long-term Debt (Continued)

Component Unit

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Other debt:							
2015 Downtown Development and Refunding Bonds - Amount of issue: \$6,910,000 Maturing through March 2026	2%-4%	\$720,000 - \$1,000,000	\$ 5,055,000	\$ -	\$ (725,000)	\$ 4,330,000	\$ 720,000
2017 Downtown Development and Refunding Bonds - Amount of issue: \$2,765,000 Maturing through November 2028	2.21%	\$230,000 - \$385,000	2,540,000	-	(240,000)	2,300,000	235,000
Unamortized bond premiums			177,424	-	(29,571)	147,853	29,571
Total component units			<u>\$ 7,772,424</u>	<u>\$ -</u>	<u>\$ (994,571)</u>	<u>\$ 6,777,853</u>	<u>\$ 984,571</u>

Note 8 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending March 31	Governmental Activities		
	Other Debt		Total
	Principal	Interest	
2022	\$ -	\$ 6,787	\$ 6,787
2023	67,000	3,756	70,756
2024	46,000	1,120	47,120
2025	-	-	-
2026	-	-	-
2027-2031	-	-	-
2032-2036	-	-	-
Total	\$ 113,000	\$ 11,663	\$ 124,663

Years Ending March 31	Business-type Activities		
	Direct Borrowings and Direct Placements		
	Principal	Interest	Total
2022	\$ 392,255	\$ 110,334	\$ 502,589
2023	403,009	100,455	503,464
2024	408,762	90,308	499,070
2025	339,515	80,017	419,532
2026	340,269	71,457	411,726
2027-2031	1,439,145	239,798	1,678,943
2032-2036	1,204,004	61,122	1,265,126
Total	\$ 4,526,959	\$ 753,491	\$ 5,280,450

Years Ending March 31	Component Unit Activities		
	Other Debt		
	Principal	Interest	Total
2022	\$ 955,000	\$ 180,730	\$ 1,135,730
2023	1,045,000	153,937	1,198,937
2024	1,080,000	124,404	1,204,404
2025	1,265,000	94,176	1,359,176
2026	1,250,000	58,320	1,308,320
2027-2031	1,035,000	47,515	1,082,515
2032-2036	-	-	-
Total	\$ 6,630,000	\$ 659,082	\$ 7,289,082

In previous years, the Township defeased certain bonds by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. As of March 31, 2021, there is still \$5,600,000 of bonds outstanding that is considered defeased.

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for property loss, torts, errors and omissions, and medical benefit claims from the Accident Fund Insurance Company of America for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four fiscal years.

Note 10 - Pension Plans

Plan Description

The Township participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS of Michigan), an agent multiple-employer defined benefit pension plan that covers all full- and part-time firefighters of the Township and all full-time employees, except the elected officials other than the current treasurer. MERS of Michigan was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS of Michigan issues a publicly available financial report that includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS of Michigan at 1134 Municipal Way, Lansing, MI 48917.

The Township also offers pension benefits to its elected officials through defined contribution plans. The plans are administered through John Hancock Retirement Plan Services, LLC and the Municipal Employees' Retirement System of Michigan. Firefighters and other full-time employees participated in this plan in the past but have since transferred to the defined benefit plan.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate 90 days from the date of employment. As established by the board of trustees, the Township contributes 8 percent of an employee's approved pension earnings. Employee contributions are not required. In accordance with these requirements, the Township contributed approximately \$41,000 during the current year. The Township's contributions for each employee are fully vested upon entering service.

As of September 14, 2016, the MERS of Michigan defined benefit pension plan is closed to new hires.

Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS of Michigan.

Retirement benefits for fire employees are calculated at 2.25 percent of the employee's final five-year average compensation times the employee's years of service. Normal retirement is age 60, with early retirement at age 50 with 30 years of service (unreduced) or age 55 and 50 with 15 and 25 years of service (reduced), respectively. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits and are payable immediately without an actuarial reduction. An employee who leaves township service may withdraw his or her contributions, plus any accumulated interest.

Note 10 - Pension Plans (Continued)

Retirement benefits for general employees are calculated at 1.5 percent of the employee's three-year average salary times the employee's years of service. Normal retirement is age 60, with early retirement at ages 55 and 50 with 15 and 25 years of service (reduced), respectively. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits and are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Employees Covered by Benefit Terms

At the December 31, 2020 measurement date, the following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	7
Active plan members	<u>18</u>
Total employees covered by MERS of Michigan	<u><u>25</u></u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS of Michigan retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS of Michigan retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For general and fire employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. General and fire employees are required to contribute 1.30 and 1.38 percent of compensation, respectively. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. For the measurement year ended December 31, 2020, the average employer contribution rate was 8.0 percent of annual payroll.

Net Pension Liability

The Township has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The March 31, 2021 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2020 measurement date. The December 31, 2020 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

March 31, 2021

Note 10 - Pension Plans (Continued)

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2019	\$ 4,306,076	\$ 3,534,179	\$ 771,897
Changes for the year:			
Service cost	102,208	-	102,208
Interest	328,391	-	328,391
Differences between expected and actual experience	195,103	-	195,103
Changes in assumptions	126,698	-	126,698
Contributions - Employer	-	141,194	(141,194)
Contributions - Employee	-	20,557	(20,557)
Net investment income	-	527,332	(527,332)
Benefit payments, including refunds	(72,497)	(72,497)	-
Administrative expenses	-	(7,282)	7,282
Net changes	679,903	609,304	70,599
Balance at December 31, 2020	<u>\$ 4,985,979</u>	<u>\$ 4,143,483</u>	<u>\$ 842,496</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended March 31, 2021, the Township recognized pension expense of \$171,793. At March 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 262,433	\$ 110,137
Changes in assumptions	211,083	-
Net difference between projected and actual earnings on pension plan investments	-	188,874
Employer contributions to the plan subsequent to the measurement date	35,517	-
Total	<u>\$ 509,033</u>	<u>\$ 299,011</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net position liability and, therefore, will not be included in future pension expense):

Years Ending March 31	Amount
2022	\$ 41,078
2023	69,733
2024	(20,992)
2025	31,055
2026	53,631
Total	<u>\$ 174,505</u>

Note 10 - Pension Plans (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (in the long term, plus a percentage based on an age-related scale to reflect merit, longevity, and promotional pay increases) of 3.00 percent, an investment rate of return (net of investment expenses, including inflation) of 7.35 percent, and the Pub-2010 mortality tables.

Mortality rates were based on the Pub-2010 Mortality Table using scale MP-2019.

These assumptions were applied to all periods included in the measurement and are based on an experience study conducted for the period from December 31, 2014 through December 31, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of the December 31, 2020 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	5.25 %
Global fixed income	20.00	1.25
Private investments	20.00	7.25

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Township, calculated using the discount rate of 7.60 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.60%)	Current Discount Rate (7.60%)	1 Percentage Point Increase (8.60%)
Net pension liability of the Township	\$ 1,477,538	\$ 842,496	\$ 306,015

Note 10 - Pension Plans (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Assumption Changes

Assumption changes are the result of the change in the mortality tables from the RP-2014 mortality tables to the Pub-2010 mortality tables.

Note 11 - Other Postemployment Benefit Plan

Plan Description

The Township provides retiree health care benefits to eligible employees. This is single-employer defined benefit plan administered by the Township. The benefits are provided through board resolution. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits Provided

The Township provides a monthly stipend to be used to supplement the insurance cost for postemployment health care benefits upon retirement in accordance with labor contracts.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	March 31, 2021
Inactive plan members or beneficiaries currently receiving benefits	8
Active plan members	<u>23</u>
Total plan members	<u><u>31</u></u>

Contributions

Retiree health care costs are paid by the Township on a pay-as-you-go basis. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended March 31, 2021, the Township made payments for postemployment health benefit premiums of \$13,905. The actuarially determined contribution (ADC) at March 31, 2021 was \$44,555.

Total OPEB Liability

The Township's total OPEB liability was measured as of March 31, 2021 and was determined by an actuarial valuation as of that date.

March 31, 2021

Note 11 - Other Postemployment Benefit Plan (Continued)

Changes in the total OPEB liability during the measurement year were as follows:

Changes in Total OPEB Liability	Total OPEB Liability
Balance at April 1, 2020	\$ 1,036,579
Changes for the year:	
Service cost	39,760
Interest	26,028
Differences between expected and actual experience	(38,893)
Changes in assumptions	162,727
Benefit payments, including refunds	(13,905)
Net changes	175,717
Balance at March 31, 2021	\$ 1,212,296

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended March 31, 2021, the Township recognized OPEB expense of \$111,271.

At March 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 20,745	\$ 33,337
Changes in assumptions	249,160	-
Total	\$ 269,905	\$ 33,337

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending March 31	Amount
2022	\$ 45,483
2023	45,483
2024	45,483
2025	45,483
2026	36,945
Thereafter	17,691
Total	\$ 236,568

Actuarial Assumptions

The total OPEB liability in the March 31, 2021 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 2.5 percent on average, a health care cost trend rate of 2.5 percent, and the Pub-2010 Mortality Table using scale MP-2019. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.27 percent. The discount rate was based on Fidelity's 20-Year Municipal GO AA Index.

March 31, 2021

Note 11 - Other Postemployment Benefit Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Township, calculated using the discount rate of 2.27 percent, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (1.27%)	Current Discount Rate (2.27%)	1 Percentage Point Increase (3.27%)
Total OPEB liability of the plan	\$ 1,438,421	\$ 1,212,296	\$ 1,032,686

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the total OPEB liability of the Township, calculated using the health care cost trend rate of 2.5 percent, as well as what the Township's total OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (1.5%)	Current Health Care Cost Trend Rate (2.5%)	1 Percentage Point Increase (3.5%)
Total OPEB liability of the plan	\$ 1,033,935	\$ 1,212,296	\$ 1,424,122

Assumption Changes

Assumption changes are the result of the change in the mortality tables from the RP-2014 mortality tables to the Pub-2010 mortality tables as well as a decrease in the discount rate from 2.48 percent to 2.27 percent.

Required Supplemental Information

Township of Scio

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended March 31, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,175,000	\$ 1,175,000	\$ 1,211,256	\$ 36,256
Intergovernmental - Federal grants and state sources	1,560,000	1,560,000	1,554,405	(5,595)
Locally raised	1,066,050	1,116,050	1,151,135	35,085
Rental income	50,000	50,000	9,250	(40,750)
Investment income	80,000	80,000	39,472	(40,528)
Other revenue	25,000	54,439	55,420	981
Total revenue	3,956,050	4,035,489	4,020,938	(14,551)
Expenditures				
Current services:				
General government:				
General government	1,042,230	1,168,480	1,044,312	124,168
Assessing	491,625	491,625	415,484	76,141
Elections	155,750	214,530	203,484	11,046
Boards and commissions	687,850	782,850	540,781	242,069
Health and safety	2,381,250	2,381,250	1,353,203	1,028,047
Building and grounds	88,300	88,300	60,982	27,318
Capital outlay	70,000	70,000	27,794	42,206
Total expenditures	4,917,005	5,197,035	3,646,040	1,550,995
Other Financing Uses - Transfers out	-	(802,000)	(802,000)	-
Net Change in Fund Balance	(960,955)	(1,963,546)	(427,102)	1,536,444
Fund Balance - Beginning of year	8,810,222	8,810,222	8,810,222	-
Fund Balance - End of year	\$ 7,849,267	\$ 6,846,676	\$ 8,383,120	\$ 1,536,444

Township of Scio

Required Supplemental Information Budgetary Comparison Schedules - Major Special Revenue Funds Fire Department Fund

Year Ended March 31, 2021

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Special assessments	\$ 1,744,000	\$ 1,744,000	\$ 1,745,424	\$ 1,424
Federal grants	100,000	100,000	130,232	30,232
Charges for services	1,500	1,500	30	(1,470)
Rental income	22,250	22,250	-	(22,250)
Investment income	25,000	25,000	8,770	(16,230)
Other revenue	3,500	3,500	3,289	(211)
Total revenue	1,896,250	1,896,250	1,887,745	(8,505)
Expenditures - Current services - Public safety	1,786,200	1,826,200	1,582,537	243,663
Excess of Revenue Over Expenditures	110,050	70,050	305,208	235,158
Other Financing Uses - Transfers out	-	(273,558)	(273,558)	-
Net Change in Fund Balance	110,050	(203,508)	31,650	235,158
Fund Balance - Beginning of year	875,217	875,217	875,217	-
Fund Balance - End of year	<u>\$ 985,267</u>	<u>\$ 671,709</u>	<u>\$ 906,867</u>	<u>\$ 235,158</u>

Township of Scio

Required Supplemental Information
 Budgetary Comparison Schedules - Major Special Revenue Funds
 (Continued)
 Open Space Land Preservation Fund

Year Ended March 31, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 600,150	\$ 600,150	\$ 620,008	\$ 19,858
Intergovernmental - State sources	-	-	14,946	14,946
Investment income	20,000	20,000	1,548	(18,452)
Total revenue	620,150	620,150	636,502	16,352
Expenditures				
Current services - Public works	200	200	641	(441)
Capital outlay	611,725	611,725	102,627	509,098
Total expenditures	611,925	611,925	103,268	508,657
Excess of Revenue Over Expenditures	8,225	8,225	533,234	525,009
Other Financing Sources - Proceeds from sale of land held for resale	-	-	20,486	20,486
Net Change in Fund Balance	8,225	8,225	553,720	545,495
Fund Balance - Beginning of year	2,639,915	2,639,915	2,639,915	-
Fund Balance - End of year	<u>\$ 2,648,140</u>	<u>\$ 2,648,140</u>	<u>\$ 3,193,635</u>	<u>\$ 545,495</u>

Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios

Last Seven Fiscal Years (Prospectively Built from 2015)

	2021 (Measurement Date 12/31/20)	2020 (Measurement Date 12/31/19)	2019 (Measurement Date 12/31/18)	2018 (Measurement Date 12/31/17)	2017 (Measurement Date 12/31/16)	2016 (Measurement Date 12/31/15)	2015 (Measurement Date 12/31/14)
Total Pension Liability							
Service cost	\$ 102,208	\$ 103,174	\$ 115,683	\$ 110,220	\$ 105,564	\$ 86,870	\$ 84,554
Interest	328,391	303,859	286,297	250,562	232,738	207,927	187,978
Changes in benefit terms	-	-	5,065	(4,856)	15,021	(14,402)	-
Differences between expected and actual experience	195,103	68,900	(143,490)	125,799	(95,097)	(10,921)	-
Changes in assumptions	126,698	102,370	-	-	-	149,019	-
Benefit payments, including refunds	(72,497)	(37,766)	(37,766)	(37,767)	(37,766)	(40,118)	(23,658)
Net Change in Total Pension Liability	679,903	540,537	225,789	443,958	220,460	378,375	248,874
Total Pension Liability - Beginning of year	4,306,076	3,765,539	3,539,750	3,095,792	2,875,332	2,496,957	2,248,083
Total Pension Liability - End of year	\$ 4,985,979	\$ 4,306,076	\$ 3,765,539	\$ 3,539,750	\$ 3,095,792	\$ 2,875,332	\$ 2,496,957
Plan Fiduciary Net Position							
Contributions - Employer	\$ 141,194	\$ 171,666	\$ 123,561	\$ 228,687	\$ 110,862	\$ 104,248	\$ 98,495
Contributions - Member	20,557	21,054	20,976	51,858	17,669	14,638	12,301
Net investment income (loss)	527,332	414,724	(123,721)	345,694	244,417	(32,319)	118,779
Administrative expenses	(7,282)	(7,148)	(5,958)	(5,439)	(4,817)	(4,600)	(4,402)
Benefit payments, including refunds	(72,497)	(37,766)	(37,766)	(37,767)	(37,766)	(40,118)	(23,658)
Net Change in Plan Fiduciary Net Position	609,304	562,530	(22,908)	583,033	330,365	41,849	201,515
Plan Fiduciary Net Position - Beginning of year	3,534,179	2,971,649	2,994,557	2,411,524	2,081,159	2,039,310	1,837,795
Plan Fiduciary Net Position - End of year	\$ 4,143,483	\$ 3,534,179	\$ 2,971,649	\$ 2,994,557	\$ 2,411,524	\$ 2,081,159	\$ 2,039,310
Township's Net Pension Liability - Ending	\$ 842,496	\$ 771,897	\$ 793,890	\$ 545,193	\$ 684,268	\$ 794,173	\$ 457,647
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.10 %	82.07 %	78.92 %	84.60 %	77.90 %	72.38 %	81.67 %
Covered Payroll	\$ 1,439,738	\$ 1,401,630	\$ 1,498,568	\$ 1,498,568	\$ 1,499,212	\$ 1,429,665	\$ 1,221,187
Township's Net Pension Liability as a Percentage of Covered Payroll	58.52 %	55.07 %	52.98 %	36.38 %	45.64 %	55.55 %	37.48 %

Required Supplemental Information
Schedule of Pension Contributions

Last Ten Fiscal Years
Years Ended March 31

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 142,068	\$ 171,666	\$ 124,080	\$ 119,806	\$ 128,709	\$ 118,886	\$ 101,020	\$ 94,445	\$ 98,710	\$ 89,603
Contributions in relation to the actuarially determined contribution	142,068	171,666	124,080	229,198	128,709	118,886	101,020	94,445	98,710	89,603
Contribution Excess	\$ -	\$ -	\$ -	\$ 109,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,467,210	\$ 1,401,630	\$ 1,498,568	\$ 1,499,212	\$ 1,429,665	\$ 1,419,544	\$ 1,221,187	\$ 1,202,784	\$ 1,171,216	\$ 1,034,441
Contributions as a Percentage of Covered Payroll	9.68 %	12.25 %	8.28 %	15.29 %	9.00 %	8.37 %	8.27 %	7.85 %	8.43 %	8.66 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level of percentage of payroll, closed
Remaining amortization period	19
Asset valuation method	5-year smoothed
Inflation	2.5 percent
Salary increase	3.0 percent
Investment rate of return	7.6 percent
Retirement age	60 year old, 50 with 25 years of service, 55 with 15 years of service, or 55 with 30 years of service
Mortality	50 percent female/50 percent male 2014 Group Annuity Mortality Table
Other information	None

Township of Scio

Required Supplemental Information Schedule of Changes in the Total OPEB Liability and Related Ratios No Trust

Last Three Fiscal Years (Prospectively Built from 2019)

	2021	2020	2019
Total OPEB Liability			
Service cost	\$ 39,760	\$ 30,227	\$ 26,065
Interest	26,028	29,519	27,472
Differences between expected and actual experience	(38,893)	-	36,304
Changes in assumptions	162,727	134,783	23,461
Benefit payments, including refunds	(13,905)	(11,947)	(14,512)
Net Change in Total OPEB Liability	175,717	182,582	98,790
Total OPEB Liability - Beginning of year	1,036,579	853,997	755,207
Total OPEB Liability - End of year	\$ 1,212,296	\$ 1,036,579	\$ 853,997
Covered-employee Payroll	\$ 13,905	\$ -	\$ -
Total OPEB Liability as a Percentage of Covered-employee Payroll	8,718.42 %	- %	- %

March 31, 2021

Budgetary Information

During the year, the Township of Scio incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Open Space Land Preservation Fund - Current services - Public works	\$ 200	\$ 641	\$ (441)
Parks and Recreation Fund - Current services - Parks and recreation	143,711	184,226	(40,515)

Pension Information

Changes in Assumptions

In fiscal year 2021 (measurement date 2020), the mortality table assumption was changed from RP-2014 to the Pub-2010 Mortality Table. In fiscal year 2020 (measurement date 2019), the assumed annual rate of investment return, net of all expenses, was lowered from 7.75 to 7.60 percent. In fiscal year 2016 (measurement date 2015), the mortality table was adjusted to reflect longer lifetimes, and the assumed annual rate of investment return, net of all expenses, was lowered from 8 to 7.75 percent.

OPEB Information

Changes in Assumptions

In 2021, the mortality table assumption was changed from the RP-2014 Mortality Tables to the Pub-2010 Mortality Tables and the discount rate was decreased from 2.48 percent to 2.27 percent. In 2020, the discount rate was decreased from 3.42 percent to 2.48 percent.

Other Supplemental Information

Township of Scio

	Special Revenue Funds			
	Public Improvement Fund	Tree Mitigation Fund	Bus Fund	Parks and Recreation Fund
Assets				
Cash and investments	\$ 576,946	\$ 222,333	\$ 685,071	\$ 659,716
Receivables:				
Property taxes receivable	-	-	2,159	3,050
Special assessments receivable	-	-	-	-
Due from other governmental units	-	-	22,577	30,533
Prepaid expenses and other assets	-	-	-	-
Total assets	\$ 576,946	\$ 222,333	\$ 709,807	\$ 693,299
Liabilities				
Accounts payable	\$ -	\$ -	\$ 31,546	\$ 37,134
Due to other funds	81,000	-	-	-
Total liabilities	81,000	-	31,546	37,134
Deferred Inflows of Resources	-	-	1,326	1,557
Fund Balances				
Nonspendable - Prepaids	-	-	-	-
Restricted:				
Debt service	-	-	-	-
Tree mitigation	-	222,333	-	-
Parks and recreation	-	-	-	654,608
Bus	-	-	676,935	-
Metro act	44,141	-	-	-
Public improvements	451,805	-	-	-
Bridge maintenance	-	-	-	-
Total fund balances	495,946	222,333	676,935	654,608
Total liabilities, deferred inflows of resources, and fund balances	\$ 576,946	\$ 222,333	\$ 709,807	\$ 693,299

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

March 31, 2021

Capital Project Funds			
East Delhi Bridge Maintenance Fund	Public Safety and Improvement Fund	Park Road SAD Fund	Total
\$ 52,328	\$ -	\$ 2,481	\$ 2,198,875
-	-	-	5,209
-	-	14,269	14,269
348	-	1,458	54,916
-	-	20,742	20,742
\$ 52,676	\$ -	\$ 38,950	\$ 2,294,011
\$ 893	\$ -	\$ -	\$ 69,573
-	-	-	81,000
893	-	-	150,573
-	-	14,269	17,152
-	-	20,742	20,742
-	-	3,939	3,939
-	-	-	222,333
-	-	-	654,608
-	-	-	676,935
-	-	-	44,141
-	-	-	451,805
51,783	-	-	51,783
51,783	-	24,681	2,126,286
\$ 52,676	\$ -	\$ 38,950	\$ 2,294,011

Township of Scio

	Special Revenue Funds			
	Public Improvement Fund	Tree Mitigation Fund	Bus Fund	Parks and Recreation Fund
Revenue				
Property taxes	\$ -	\$ -	\$ 455,105	\$ 838,630
Special assessments	-	-	-	-
Intergovernmental - State sources	-	-	10,973	-
Investment income	2,196	2,129	631	204
Other miscellaneous income	15,259	-	-	-
Total revenue	17,455	2,129	466,709	838,834
Expenditures				
Current:				
General government	44,830	-	187,034	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	-	184,226
Debt service	-	-	-	-
Total expenditures	44,830	-	187,034	184,226
Other Financing Uses - Transfers out	-	-	-	-
Net Change in Fund Balances	(27,375)	2,129	279,675	654,608
Fund Balances - Beginning of year	523,321	220,204	397,260	-
Fund Balances - End of year	\$ 495,946	\$ 222,333	\$ 676,935	\$ 654,608

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund
Balances
Nonmajor Governmental Funds

Year Ended March 31, 2021

Capital Project Funds			
East Delhi Bridge Maintenance Fund	Public Safety and Improvement Fund	Park Road SAD Fund	Total
\$ -	\$ -	\$ -	\$ 1,293,735
4,999	-	14,495	19,494
-	-	-	10,973
78	2,594	1,441	9,273
-	-	-	15,259
5,077	2,594	15,936	1,348,734
1,109	-	-	232,973
-	230	-	230
-	-	230	230
-	-	-	184,226
-	-	21,845	21,845
1,109	230	22,075	439,504
-	(774,723)	-	(774,723)
3,968	(772,359)	(6,139)	134,507
47,815	772,359	30,820	1,991,779
\$ 51,783	\$ -	\$ 24,681	\$ 2,126,286

October 14, 2021

To the Board of Trustees
Township of Scio

We have audited the financial statements of Township of Scio (the "Township") as of and for the year ended March 31, 2021 and have issued our report thereon dated October 14, 2021. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Internal Control Related Matters Identified in an Audit

Section II - Required Communications with Those Charged with Governance

Section III - Legislative and Informational Items

Sections I and II include information that we are required to communicate to those individuals charged with governance of the Township. Section I communicates a deficiency we observed in the Township's internal control that we believe is a material weakness. Section II communicates significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process.

Section III presents recommendations related to internal control, procedures, and other matters noted during our current year audit. These comments are offered in the interest of helping the Township in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness. This section also contains updated legislative and informational items that we believe will be of interest to you.

We would like to take this opportunity to thank the Township's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the board of trustees and management of the Township and is not intended to be and should not be used by anyone other than these specified parties.

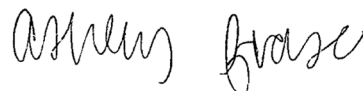
We welcome any questions you may have regarding the following communications, and we would be willing to discuss these or any other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC



David H. Helisek
Partner



Ashley Frase
Senior Manager

Section I - Internal Control Related Matters Identified in an Audit

In planning and performing our audit of the financial statements of the Township 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'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township'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 significant deficiencies or material weaknesses, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain a deficiency in internal control that we consider to be a material weakness.

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 deficiency in the Township's internal control to be a material weakness:

- **OPEB Census Data** - During our audit procedures, we identified that an employee hired subsequent to the previous March 31, 2019 OPEB actuarial valuation was not included in the census data for the OPEB actuarial valuation as of March 31, 2021. Although the impact on the total OPEB liability at March 31, 2021 was not material for this one individual, without adequate controls in place surrounding gathering and reviewing the census data, the actuarial valuation could be misstated, resulting in a potential material impact on the recorded net OPEB liability. We recommend that the Township implement procedures controls to strengthen the OPEB census data gathering and review process.

Section II - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 24, 2021, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

We have noted the following instances of noncompliance with laws and regulations during the course of our audit:

- Section 4(l)(a)(i)(ii) of Public Act 202 of 2017 requires the local unit to pay retiree insurance premiums for the year, as well as the normal costs for the new employees hired after June 30, 2018. As of March 31, 2021, the Township has not set up a trust to pay retiree insurance premiums for the year, as well as the normal costs for the new employees hired after June 30, 2018.
- Public Act 196 of 1997, as amended, requires the local unit to provide an investment report to the governing body on a quarterly basis. During the year ended March 31, 2021, the Township did not provide the governing body with an investment report on a quarterly basis.
- Public Act 206 of 1893, the General Property Tax Act, requires the local unit to distribute tax revenue that was collected for another taxing unit timely. During the year ended March 31, 2021, there were instances when the Township's distribution of tax revenue to other taxing units was in excess of 15 days.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 4, 2021.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements.

As described in Note 1, the Township changed accounting policies related to the adoption of GASB Statement No. 84, *Fiduciary Activities*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Section II - Required Communications with Those Charged with Governance (Continued)

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

The most sensitive estimates affecting the financial statements were the unbilled water and sewer receivables, the calculation of the total other postemployment benefits liability (i.e., retiree health care), and the calculation of the net pension liability. The unbilled water and sewer receivable estimate is based on prior performance. Management's estimate of the net pension liability is based on assumptions used in the actuarial valuation. The total other postemployment benefits liability is based on an actuarial valuation that includes assumptions for the anticipated rate of return on investments, estimated future health care costs, life expectancies, and employee eligibility rates. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We are required to inform those charged with governance of any serious difficulties encountered in dealing with management related to the performance of the audit. The Township was not able to provide all requested support by the planned end of remote fieldwork date of June 18, 2021. There were adjustments provided to the general ledger through mid-August, resulting in difficulties in performing and completing the audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as 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.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. There was an uncorrected misstatement of the financial statements for governmental activities to increase long-term capital assets by \$95,200 and reduce expenses by \$95,200. Management has determined that its effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2021.

**Section II - Required Communications with Those Charged with Governance
(Continued)**

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'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.

Section III - Legislative and Informational Items

Recommendation

Password Settings - During our review of the information technology and general controls in place at the Township, we noted that the Township password parameters currently do not have a password age requirement. In order to strengthen information technology controls, we recommend that the Township put a password age parameter in place to require users to change their password after a period of time.

COVID-19 Resource Center and ARPA

Throughout the COVID-19 pandemic, Plante & Moran, PLLC's COVID-19 task force of leaders across the firm has monitored, addressed, and provided insight related to the virus and the unique challenges our local governments have faced while continuing to provide essential services to their communities through our COVID-19 resource center at <https://www.plantemoran.com/explore-our-thinking/areas-of-focus/covid-19-government-resource-center>. This will continue as our nation emerges from this crisis.

In March 2021, the president signed the American Rescue Plan Act (ARPA) into law, which included federal stimulus funding for state and local governments of all sizes. The largest of all funding streams, the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF), represents a \$350 billion top-line allocation for state and local governments. Funding began to be distributed nationwide in May 2021, although smaller municipalities will need to wait for the funding to pass through their state governments. The U.S. Department of Treasury recently published the interim final rule (IFR), which establishes a framework for determining the types of programs and services that are eligible uses of the CSLFRF funding.

The ARPA award terms provide that payments from the Fiscal Recovery Funds as a general matter will be subject to the provision of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), including the cost principles and restrictions on general provisions for selected items of cost. The Township will need to understand these reforms and may be required to evaluate, document, and monitor internal procedures around compliance, including maintaining certain required policies.

The COVID-19 resource center is being continuously updated for the latest guidance and strategy related to CSLFRF and will help keep the Township running smoothly through our nation's recovery.

Want to receive relevant content directly to your email? Subscribe at <https://www.plantemoran.com/subscribe> where you can customize your subscription preferences based on your specific interests and industry selection.

Michigan's COVID-19 Updates and Related Grant Programs

The Michigan Department of Treasury has developed a webpage with numbered letters, memorandums, webinars, and resources regarding COVID-19 updates and related grant programs: https://www.michigan.gov/treasury/0,4679,7-121-1751_98769---,00.html.

Cybersecurity and Information Technology Controls

Cyberattacks are on the rise across the globe, and the cost of these attacks is ever increasing. Because of these attacks, municipalities stand to lose their reputation, the ability to operate efficiently, and proprietary information or assets. Communities potentially can also be subject to financial and legal liabilities. Managing this issue is especially challenging because even a municipality with a highly mature cybersecurity risk management program still has a residual risk that a material cybersecurity breach could occur and not be detected in a timely manner. We understand that the technology department continues to monitor and evaluate this risk, which are critical best practices. Additionally, periodic assessments of the system in order to verify that the control environment is working as intended are key parts of measuring associated business risk. We encourage administration and those charged with governance to work with the technology team on this very important topic. If we can be of assistance in the process, we would be happy to do so.

Section III - Legislative and Informational Items (Continued)

Updated Uniform Chart of Accounts

In April 2017, the State released an updated Uniform Chart of Accounts. Originally, local units of government were expected to comply with the changes beginning with June 30, 2018 year ends. However, the State has extended the deadline for compliance. On April 20, 2020, the State issued a memo that sets an implementation date for fiscal years ending on October 31, 2022 and thereafter. The State has committed to releasing various tools to help local units with implementation, including FAQs and clarification on which accounts should be used when implementing GASB 84. A final release of the chart of accounts was issued in November 2020 and is available at this link: https://www.michigan.gov/documents/uniformchart_24524_7.pdf. This final version follows various exposure drafts and revisions in order to comply with changing GASB standards and statutory changes and reformats the document to make it more user-friendly. The Treasury will provide alerts for any guidance and resources, and local units can sign up for alerts at this link: https://public.govdelivery.com/accounts/MITREAS/subscriber/new?qsp=MITREAS_1.

Revenue Sharing

The fiscal year 2021 governor's budget recommendation includes \$1.4 billion for revenue sharing. Further details of the breakdown of this amount are available at https://www.michigan.gov/treasury/0,,7-121-1751_2197---,00.html.

In order to receive the City, Village, and Township Revenue Sharing (CVTRS) payments in FY 2021, qualified local units will once again need to comply with the same best practices as they did last year as follows:

- A citizen's guide to local finances with disclosure of unfunded liabilities
- Performance dashboard
- Debt service report
- Two-year budget projection

Rules Governing Management of Federal Programs

The Office of Management and Budget (OMB) issued significant reforms to the compliance requirements that must be followed by nonfederal entities receiving federal funding related to awards on or after December 26, 2014. While these revisions were not too recent, the revisions were the most significant change to occur to federal grants management in recent history. While many communities have historically been below the \$750,000 single audit threshold, recent legislation provides for an increase in federal spending and, therefore, may be subject to an audit requirement; the Township will need to understand these reforms and may be required to make changes to internal procedures, processes, and controls.

- **Cost Principles** - There were certain changes made to allowable costs and significant changes in the area of time and effort reporting and indirect costs.
- **Administrative Requirements** - Nonfederal entities receiving federal funding must adhere to revised rules related to administering federal awards. Most notably, the requirements may impact the Township's procurement systems, including maintaining written conflict of interest policies and disclosures.

The Township will need to ensure that consideration of the implementation of these regulations has occurred; if it has not, the Township needs to work quickly to put the requirements into practice. Plante & Moran, PLLC has many experts in this area and welcomes any questions or needs you may have.

Federal Procurement Threshold Changes

The Office of Management and Budget (OMB) has issued significant reforms to the compliance requirements that must be followed by nonfederal entities. The Office of Management and Budget recently issued Memorandum M-18-18, which provides guidance on changes to micropurchases and simplified acquisition threshold requirements. The key changes are as follows:

- Threshold for micropurchases is increased to \$10,000.
- Threshold for simplified acquisitions (small purchase procedures limit) increased to \$250,000.

Section III - Legislative and Informational Items (Continued)

Key adoption considerations for micropurchase and simplified acquisition thresholds include the following:

- During the original adoption of the Uniform Guidance (UG) procurement standards, were specific amounts included within the Township's procurement policy, or were references to the UG sections or amounts as adjusted referenced? If specific amounts were referenced, the procurement policy will need to be updated to take advantage of the changes.
- If the Township's procurement policy was written to allow for changes in amounts, the procedures will need to be updated to conform.
- If this change is inconsistent with other procurement policies within the organization, the Township must decide how the policy will be enacted. Remember local ordinances in place may limit full utilization of changes.
- If the Township has chosen not to fully adopt the change and maintain a lower threshold, then the Township is not required to use these thresholds but cannot exceed them.

Legacy Cost Reporting

Public Act 530 of 2016

On December 31, 2016, the governor signed Public Act 530 of 2016, which amends Public Act 314 of 1965, also known as Public Employee Retirement System Investment Act (PERSIA). This act was effective on March 29, 2017.

Under the prior act, communities were required to publish a summary annual report setting forth key information related to pension and retiree health care plans. The amendment requires that this summary annual report also be submitted to the Michigan Department of Treasury within 30 days of publication.

In addition, for any system (either pension or retiree health care) that is not funded at a level of at least 60 percent, the community must now post a report to its website indicating steps that are being undertaken to address the liability. In addition, this report must be submitted to the Department of Treasury within a reasonable time frame.

The legislation calls for the Department of Treasury to accumulate all of the reports and publish a summary of funding levels throughout the state.

Public Act 202 of 2017

On January 5, 2018, the Michigan Department of Treasury released initial reporting requirements under Public Act 202 of 2017 (the "Act"), which were primary components of the Act. These reporting requirements apply to all local units of government that offer or provide defined benefit pension and/or defined benefit OPEB retirement benefits.

Local units began reporting funded ratios and contributions in accordance with these uniform assumptions starting with their fiscal year 2019 if their audited financial statements were based on an actuarial valuation issued after December 31, 2018. If their fiscal year 2019 audited financial statements were based on an actuarial valuation issued prior to December 31, 2018, the local units will begin reporting on these uniform assumptions starting with their fiscal year 2020.

On October 21, 2019, the Michigan Department of Treasury released the updated uniform assumptions to be used for fiscal year 2020. Beginning with fiscal year 2020 reporting, all local governments must utilize the updated fiscal year 2020 uniform assumptions. Each year moving forward, the annual uniform assumptions will be updated and are expected to be utilized within Form 5572, where indicated, for that fiscal year. Local governments may utilize roll-forward procedures in nonvaluation years utilizing any updates to the uniform assumptions to calculate the data.

Section III - Legislative and Informational Items (Continued)

This means that the local unit potentially may need three calculations: a funding valuation (if the local unit chooses to have different assumptions for funding purposes), a valuation that complies with GAAP to be used for financial statement reporting, and a calculation that complies with the State's new uniform assumptions.

The releases by the Department of Treasury include the letters titled "Public Act 202: Selection of the Uniform Assumptions" and "Public Act 202: Selection of the Uniform Assumptions for Fiscal Year 2020," Numbered Letter 2018-1, Form 5572, detailed instructions for completion of Form 5572, and a listing of frequently asked questions. All documents can be located at http://www.michigan.gov/treasury/0,4679,7-121-1751_51556_84499---,00.html.

Form 5572 is due annually for both pension and OPEB plans provided by an employer no later than six months after the end of the fiscal year.

In addition to submitting this new form to the Department of Treasury, a local unit must also post this information either on its website or in a public place if it does not have a website. The governing body of a local unit will also need to receive a copy of this form, in accordance with the Act, but the Act does not require approval by the governing body before submission to the Treasury.

Public Act 202 defines that a local unit of government is in underfunded status if any of the following apply:

1. OPEB - Total plan assets are less than 40 percent of total plan liabilities according to the most recent annual report, and, for primary units of government*, the annual required contribution for all of the retirement health systems of the local unit is greater than 12 percent of the local unit of government's governmental funds operations revenue.
2. Retirement pension plans - Total plan assets are less than 60 percent of total plan liabilities according to the most recent annual report, and, for primary units of government, the annual required contribution for all of the retirement pension systems of the local unit is greater than 10 percent of the local unit of government's governmental funds operations revenue.

*Primary units of government are cities, villages, townships, and counties.

If, after submission of Form 5572, the Treasury determines your community to have underfunded status, you will have the opportunity to file a waiver under Section 6 of the Act. The waiver needs to provide a plan for how the underfunding is being addressed. This waiver will then be submitted to the Treasury.

In the event that a local unit has underfunded plans and does not submit a waiver or the waiver is not approved, the Treasury will perform an internal review. The local unit will also need to submit a corrective action plan to the Municipal Stability Board (under Section 7 of the Act). The local unit will be responsible for creating the corrective action plan (CAP) and must begin implementation within 180 days of CAP approval. The corrective action plan will be monitored by the Municipal Stability Board for substantial compliance with the Act every two years, which will require the local unit to complete the CAP Monitoring Form. If, at any time after a CAP has been approved, the local unit determines its previous submission is no longer substantially in effect, the local unit may file an updated CAP.

For governments with OPEB plans, Section 4(l)(a)(i)(ii) of Public Act 202 of 2017 requires the local unit to pay retiree insurance premiums for the year, as well as the normal costs for the new employees hired after June 30, 2018. The actuary likely will need to calculate this number in order for governments to comply. In addition, if communities must essentially prefund this additional cost, those communities without a qualifying OPEB trust will need to consider where these contributions will go.

Questions should be directed via email to the Treasury offices at LocalRetirementReporting@michigan.gov or by visiting its website at www.Michigan.gov/LocalRetirementReporting.

Section III - Legislative and Informational Items (Continued)

Numbered Letter 2018-3

On March 13, 2020, the Treasury issued Numbered Letter 2018-3 (Revised) as a revision to Numbered Letter 2018-3 that was first issued in September 2018. This revised numbered letter provides additional clarity and guidance for compliance with Public Act 202 related to the calculation and reporting of the actuarial determined contribution (ADC) for other postemployment benefit (OPEB) systems. The revision emphasized the following two key points:

1. The ADC, regardless of funding policy, must be calculated as the normal cost plus the amortization of the unfunded liability.
2. The ADC, calculated in accordance with the Act, must be reported in the audited financial statements. Note that OPEB plans that are not administrated through a trust are not required by GAAP to disclose the ADC in the required supplemental information section of the audited financial statements, but those plans should disclose this information in the footnotes to the financial statements, as required by this revised numbered letter.

Failure to calculate the ADC in compliance with this Numbered Letter 2018-3 (Revised) will be considered statutory noncompliance and shall be reported in the notes to the financial statements and result in an auditor finding for statutory noncompliance. Failure to report a compliance ADC in audited financial statements may result in the rejection of Form 5572 submissions and noncompliance with the Act and/or rejection of the local government's audited financial statements.

Public Act 57 Consolidation of Tax Increment Authorities

Public Act 57 of 2018, otherwise known as The Recodified Tax Increment Financing Act (PA 57), went into effect on January 1, 2019. PA 57 consolidated the ability to create and operate tax increment authorities (other than brownfield redevelopment authorities) into a single statute. All previously created authorities will remain; however, the following acts were repealed, and the corresponding authorities will now operate under PA 57:

- Downtown Development Authority Act (PA 197 of 1975)
- Tax Increment Finance Authority Act (PA 450 of 1980)
- Local Development Finance Authority Act (PA 281 of 1986)
- Nonprofit Street Railway Act (PA 35 of 1867)
- Corridor Improvement Authority Act (PA 280 of 2005)
- Water Resource Improvement Tax Increment Finance Authority Act (PA 94 of 2008)
- Neighborhood Improvement Authority Act (PA 61 of 2007)

Note that the above acts were repealed and recodified into PA 57. The acts listed below were repealed; however, they were not recodified:

- Historical Neighborhood Tax Increment Finance Authority Act (PA 530 of 2004)
- Private Investment Infrastructure Funding Act (PA 250 of 2010)

Any obligation, or refunding of an obligation, that was issued by an authority or by the municipality that created the authority, under a statute that was repealed by Public Act 57, will continue in effect under its original terms under the corresponding part of PA 57.

Transparency and Reporting Requirements

1. By April 1, 2019, each authority was required to submit its currently adopted development plan or tax increment finance plan to the Department of Treasury.
2. Annually, after January 1, 2019, each authority must submit a comprehensive annual report to the Treasury, the governing bodies of its related municipality, and each taxing unit levying taxes that are captured by the authority. This report must contain detailed information on the capture and use of tax increment revenue and is due concurrent with the authority's audit report due date (typically six months after the fiscal year end).

Section III - Legislative and Informational Items (Continued)

3. Within 180 days after the authority's fiscal year end, subsequent to January 1, 2019, the municipality that created the authority must give public access (either on its website or at a physical location within the municipality) to the following documents:
 - Minutes of all authority board meetings
 - Current authority staff contact information
 - Authority's approved budgets and annual audits
 - Currently adopted development and/or tax increment financing plans
 - Current contracts with descriptions
 - Annual synopsis of the authority's activity, which includes the following:
 - For any tax increment revenue not expended within 5 years of receipt, include the reasoning for accumulating the funds, their expected uses, and a time frame of when they will be expended.
 - For any tax increment revenue not expended within 10 years of receipt, include the amount of those funds, along with a written explanation for the reason the funds have not been expended.
 - For the immediately preceding fiscal year, a list of the authority's accomplishments, projects, investments, events, and promotional campaigns
4. The authority must hold, at a minimum, two informational meetings each year and give a 14-day advance notice to the public and to the governing body of each taxing unit. These meetings may be held in conjunction with other public meetings of the authority or municipality.

Any authority not in compliance with the above reporting requirements will receive a notice from the Department of Treasury. If the authority is still in noncompliance status 60 days after receipt of the notice, the authority will be prohibited from capturing tax increment revenue in excess of the amounts needed to pay bonded indebtedness and other obligations of the authority during this period of noncompliance.

Additional Information

To view Public Act 57 of 2018, regarding the consolidation of tax increment authorities and additional reporting requirements, visit the State of Michigan's website: [http://www.legislature.mi.gov/\(S/nhbog4doz1h4bwbqb0gcxqim\)\)/mileg.aspx?page=GetObject&objectname=mcl-Act-57-of-2018](http://www.legislature.mi.gov/(S/nhbog4doz1h4bwbqb0gcxqim))/mileg.aspx?page=GetObject&objectname=mcl-Act-57-of-2018).

Upcoming Accounting Standards Requiring Preparation

GASB Statement No. 95 - Postponement of the Effective Dates of Certain Authoritative Guidance

This new pronouncement was adopted in May 2020 and is effective immediately. This statement postpones the effective dates of the following pronouncements and implementation guides by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update - 2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update - 2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

Section III - Legislative and Informational Items (Continued)

The effective dates of the following pronouncement and implementation guide are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

GASB Statement No. 87 - Leases

This new accounting pronouncement will be effective for reporting periods beginning after December 15, 2019 (June 15, 2021 after extension within GASB Statement No. 95). This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

We recommend beginning to accumulate information now related to all significant lease agreements in order to more efficiently implement this new standard once it becomes effective.

Plante & Moran, PLLC will be providing trainings and other resources to our clients in the coming months to help prepare for the implementation of all these new standards. In the interim, please reach out to your engagement team for assistance in getting started.

GASB Statement No. 89 - Interest Incurred during Construction

This new accounting pronouncement will be effective for reporting periods beginning after December 15, 2019 (December 15, 2020 after extension within GASB Statement No. 95). This statement eliminates capitalized interest and instead requires all interest expense, including the portion incurred during construction of a capital asset, to be expensed. Early adoption is encouraged.

GASB Statement No. 92 - Omnibus 2020

This new accounting pronouncement has various effective dates that were postponed by one year after extension within GASB Statement No. 95. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments.

Significant GASB Proposals Worth Watching

The GASB is working on three interrelated projects that result in a comprehensive look at financial reporting for state and local governments. Of these three efforts, two are likely to result in significant changes to governmental financial statements in the future.

The Financial Reporting Model is currently in exposure draft stage and is expected to be issued as a final statement next year. While this standard proposes changes to many aspects of the Township's financial statements, this proposed standard will most significantly impact the Township's governmental fund financial statements.

The Revenue and Expense Recognition project aims to develop a comprehensive accounting and financial reporting model for transactions that result in revenue and expenses. Currently, the GASB has issued a preliminary views document that proposes a new categorization framework that replaces the exchange/nonexchange transaction notion with a four-step process for classifying a transaction. In addition to this new framework, the proposal also addresses recognition and measurement of revenue and expense transactions.

Plante & Moran, PLLC has spent significant time digesting these new proposed standards and recently testified to the GASB about our feedback. We strongly encourage the Township to monitor developments with these standards, as the potential impacts are quite broad.