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**TOWNSHIP OF OTISCO, MICHIGAN**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED MARCH 31, 2022**

GABRIDGE & CO

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Township of Otisco  
Belding, Michigan

***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Otisco (the "Township") as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township, as of March 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.


In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

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

*Required Supplementary Information*

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



Gabridge & Company, PLC  
Grand Rapids, Michigan  
September 23, 2022

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**Management's Discussion and Analysis**

**Township of Otisco  
Management's Discussion and Analysis  
March 31, 2022**

As management of the Township of Otisco, Michigan (The "Township" or "government") we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2022. We encourage readers to consider the information presented here in conjunction with the financial statements.

**Financial Highlights**

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$1,969,830 (*net position*). Of this amount, \$1,079,252 represents *unrestricted net position*, which may be used to meet the government's ongoing obligations to citizens and creditors.
- During the year, the Township received \$725,453 in revenues and incurred \$500,927 in expenses, resulting in an increase in net position of \$224,526.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$1,822,034, an increase of \$232,298 in comparison with the prior year. Approximately 61.3% of this amount, or \$1,079,252 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,079,252, or approximately 377.6% of total general fund expenditures and transfers out.

**Overview of the Financial Statements**

The discussion and analysis provided here is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Township's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying

event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., depreciation of capital assets).

Both of the government-wide financial statements display functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Township include general government, police and fire, roads, health and welfare, and community and economic development.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, road, fire, and police funds.

The Township adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Township has one type of fiduciary fund, a *custodial fund*.



**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Township's budgetary comparison schedules.

**Government-wide Overall Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$1,969,830, at the close of the most recent fiscal year.

**Township of Otisco's Net Position**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 1,920,336	\$ 1,567,170
Due from State	37,394	34,334
Accounts Receivable	1,546	1,550
Taxes Receivable	19,286	20,184
<b>Total Current Assets</b>	<u>1,978,562</u>	<u>1,623,238</u>
<i>Noncurrent Assets</i>		
Capital Assets not Being Depreciated	80,800	80,800
Capital Assets Being Depreciated, Net	66,996	74,768
<b>Total Assets</b>	<u>2,126,358</u>	<u>1,778,806</u>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	21,368	22,820
Accrued Payroll and Related Liabilities	12,047	10,682
Unearned Revenue	123,113	-
<b>Total Liabilities</b>	<u>156,528</u>	<u>33,502</u>
<b>NET POSITION</b>		
Investment in Capital Assets	147,796	155,568
Restricted	742,782	614,727
Unrestricted	1,079,252	975,009
<b>Total Net Position</b>	<u>\$ 1,969,830</u>	<u>\$ 1,745,304</u>

A portion of the Township's net position (\$147,796, or 7.5%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and vehicles). The Township uses these capital

assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

An additional portion of the Township's net position (\$747,782, or 37.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,79,252, or 54.8%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all reported categories of net position for its governmental activities. The Township also is able to report positive fund balances in all categories for all four of its governmental funds. The same situation held true for the prior fiscal year.

Cash and cash equivalents increased by \$353,166 which is similar to the increase in overall net position since prior year along with an increase from ARPA funding, that resulted in unearned revenue of \$123,113. All other balance sheet accounts had relatively minor changes.

The Township's overall net position increased \$224,526 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities.

**Township of Otisco's Changes in Net Position**

	<u>2022</u>	<u>2021</u>
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services	\$ 23,653	\$ 23,342
Operating Grants and Contributions	28,272	-
<b>Total Program Revenues</b>	<u>51,925</u>	<u>23,342</u>
<b>General Revenues</b>		
Property Taxes	424,084	409,799
State Sources	245,440	229,467
Interest Income	4,004	3,618
<b>Total General Revenues</b>	<u>673,528</u>	<u>642,884</u>
<b>Total Revenues</b>	<u>725,453</u>	<u>666,226</u>
<b>Expenses</b>		
General Government	233,727	217,418
Public Safety	138,640	134,284
Public Works	91,115	180,017
Health and Welfare	12,445	12,359
Community and Economic Development	25,000	22,764
<b>Total Expenses</b>	<u>500,927</u>	<u>566,842</u>
<b>Change in Net Position</b>	224,526	99,384
<i>Net Position at the Beginning of Period</i>	<u>1,745,304</u>	<u>1,645,920</u>
<b>Net Position at the End of Period</b>	<u>\$ 1,969,830</u>	<u>\$ 1,745,304</u>

**Governmental Activities.** During the current fiscal year, net position increased \$224,526 from the prior fiscal year for an ending balance of \$1,969,830. Property taxes increased by \$14,285, due to an increase in taxable value. State revenue sharing also increased due to increased sales receipts at the state level. The general government functions had a net increase of \$16,309 due to technology updates at the Township. Public works decreased significantly due to less projects in the current year.

### **Financial Analysis of Governmental Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** 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, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township's Board.

At March 31, 2022, the Township's governmental funds reported combined fund balances of \$1,822,034, an increase of \$232,298 in comparison with the prior year. Approximately 59.2%, or \$1,079,252, of this amount constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance, \$742,782, or 40.8%, is *restricted* to indicate that it is restricted for road maintenance and improvements (\$617,035), fire protection (\$79,491), and police protection (\$46,256).

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,079,252. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 377.6% of total general fund expenditures and transfers out.

The fund balance of the Township's general fund increased by \$104,243 during the current fiscal year. The increase in fund balance is comparable with prior years.

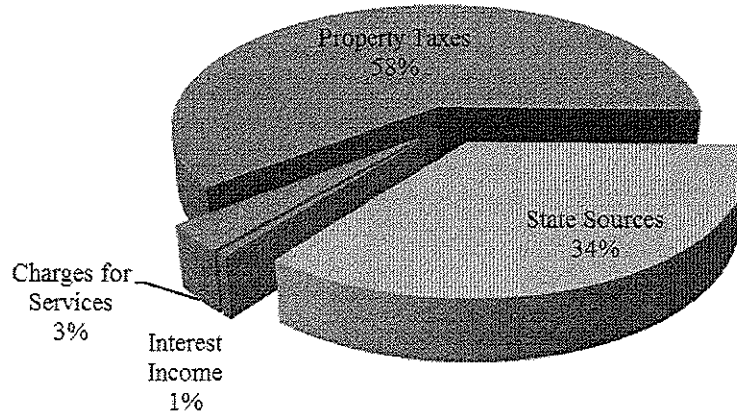
The road fund, a major fund, had a \$116,643 increase in fund balance during the current fiscal year which put the overall fund balance at \$617,035. The increase is due to decreased road work in the current year.

The fire fund, a major fund, had a \$7,785 increase in fund balance, with an ending fund balance of \$79,491. The increase is comparable with prior years. This fund balance is restricted for fire protection services within the Township.

## Governmental Activities

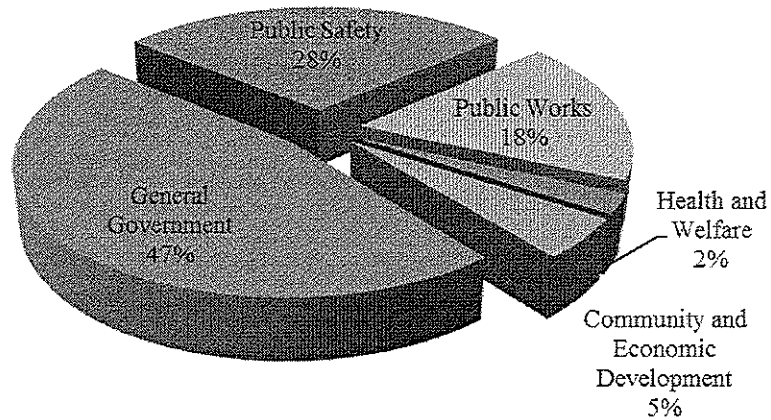
The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year-end.

### Governmental Activities Revenues



The following chart summarizes the expenses for the governmental activities of the Township for the most recent fiscal year-end.

### Governmental Activities Expenses



## General Fund Budgetary Highlights

*Final budget compared to actual results.* The Township had the significant expenditures in excess of the amounts appropriated during the year ended March 31, 2022:

<u>Fund / Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund</b>			
Professional Services	\$ 15,600	\$ 17,037	\$ (1,437)
Cemetery	4,000	4,337	(337)
Transfers Out	5,000	13,000	(8,000)

## Capital Assets

The Township's investment in capital assets for its governmental activities as of March 31, 2022 amounts to \$147,796 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, and vehicles. The total decrease in capital assets for the current fiscal year was approximately 5.0%.

More detailed information about the Township's capital assets can be found in Note 4.

## Economic Condition and Outlook

About \$355,000 of revenues are expected to be available for appropriation in the general fund. Expenditures are expected to change by small amounts compared to 2022. The Township continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2023, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values. The ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition of the Township.

## Contacting the Township

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Township of Otisco  
9663 6 Mile Road  
Belding, MI 48809

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**Basic Financial Statements**

**Township of Otisco  
Statement of Net Position  
March 31, 2022**

**ASSETS**

*Current Assets*

Cash and Investments	\$	1,920,336
Due from State		37,394
Accounts Receivable		1,546
Taxes Receivable		19,286
<b>Total Current Assets</b>		<b>1,978,562</b>

*Noncurrent Assets*

Capital Assets not Being Depreciated		80,800
Capital Assets Being Depreciated, Net		66,996
<b>Total Assets</b>		<b>2,126,358</b>

**LIABILITIES**

*Current Liabilities*

Accounts Payable		21,368
Accrued Payroll and Related Liabilities		12,047
Unearned Revenue		123,113
<b>Total Liabilities</b>		<b>156,528</b>

**NET POSITION**

Investment in Capital Assets		147,796
<i>Restricted for:</i>		
Roads		617,035
Fire Protection		79,491
Police Protection		46,256
<i>Unrestricted</i>		1,079,252
<b>Total Net Position</b>	<b>\$</b>	<b>1,969,830</b>

**Township of Otisco  
Statement of Activities  
For the Year Ended March 31, 2022**

Functions/Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government	\$ 233,727	\$ 12,818	\$ --	\$ --	\$ (220,909)
Public Safety	138,640	--	5,771	--	(132,869)
Public Works	91,115	5,475	22,501	--	(63,139)
Community and Economic Development	25,000	5,360	--	--	(19,640)
Health and Welfare	12,445	--	--	--	(12,445)
<b>Total Primary Government</b>	<b>\$ 500,927</b>	<b>\$ 23,653</b>	<b>\$ 28,272</b>	<b>\$ --</b>	<b>(449,002)</b>

**General Purpose Revenues:**

Intergovernmental	245,440
Property Taxes	424,084
Interest Income	4,004
<b>Total General Revenues</b>	<b>673,528</b>
<b>Change in Net Position</b>	<b>224,526</b>
<i>Net Position at Beginning of Period</i>	1,745,304
<b>Net Position at End of Period</b>	<b>\$ 1,969,830</b>

The Notes to the Financial Statements are an integral part of these Financial Statements



Township of Otisco  
Balance Sheet  
Governmental Funds  
March 31, 2022

	Special Revenue				Total Governmental Funds
	General	Road Fund	Fire Fund	Nonmajor - Police	
<b>ASSETS</b>					
Cash and Investments	\$ 1,210,879	\$ 582,896	\$ 80,711	\$ 45,850	\$ 1,920,336
Due from State	37,394	--	--	--	37,394
Accounts Receivable	1,546	--	--	--	1,546
Taxes Receivable	4,842	8,254	4,127	2,063	19,286
Due from Other Funds	--	25,885	5,942	1,842	33,669
<b>Total Assets</b>	<b>\$ 1,254,661</b>	<b>\$ 617,035</b>	<b>\$ 90,780</b>	<b>\$ 49,755</b>	<b>\$ 2,012,231</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 6,580	\$ --	\$ 11,289	\$ 3,499	\$ 21,368
Accrued Payroll and Related Liabilities	12,047	--	--	--	12,047
Unearned Revenues	123,113	--	--	--	123,113
Due to Other Funds	33,669	--	--	--	33,669
<b>Total Liabilities</b>	<b>175,409</b>	<b>--</b>	<b>11,289</b>	<b>3,499</b>	<b>190,197</b>
<b>FUND BALANCE</b>					
Restricted	---	617,035	79,491	46,256	742,782
Unassigned	1,079,252	--	--	--	1,079,252
<b>Total Fund Balance</b>	<b>1,079,252</b>	<b>617,035</b>	<b>79,491</b>	<b>46,256</b>	<b>1,822,034</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,254,661</b>	<b>\$ 617,035</b>	<b>\$ 90,780</b>	<b>\$ 49,755</b>	<b>\$ 2,012,231</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Otisco**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**March 31, 2022**

Total Fund Balance - Governmental Funds	\$ 1,822,034
General government capital assets of \$244,509, net of accumulated depreciation of \$96,713, are not financial resources and, accordingly, are not reported in the funds.	147,796
<b>Total Net Position - Governmental Activities</b>	<b><u>\$ 1,969,830</u></b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Otisco**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended March 31, 2022**

	Special Revenue					Total Governmental Funds
	General	Road Fund	Fire Fund	Nonmajor - Police	Governmental Funds	
<b>Revenues</b>						
Property Taxes	\$ 117,973	\$ 174,893	\$ 87,500	\$ 43,718	\$ 424,084	
Intergovernmental	245,440	22,501	3,847	1,924	273,712	
Charges for Services	19,093	--	--	--	19,093	
Fines and Forfeitures	627	--	--	--	627	
Interest Income	2,965	976	45	18	4,004	
Other Income	3,933	--	--	--	3,933	
<b>Total Revenues</b>	<b>390,031</b>	<b>198,370</b>	<b>91,392</b>	<b>45,660</b>	<b>725,453</b>	
<b>Expenditures</b>						
General Government	225,955	--	--	--	225,955	
Public Safety	--	--	96,607	42,033	138,640	
Public Works	9,388	81,727	--	--	91,115	
Health and Welfare	12,445	--	--	--	12,445	
Community and Economic Development	25,000	--	--	--	25,000	
<b>Total Expenditures</b>	<b>272,788</b>	<b>81,727</b>	<b>96,607</b>	<b>42,033</b>	<b>493,155</b>	
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>117,243</b>	<b>116,643</b>	<b>(5,215)</b>	<b>3,627</b>	<b>232,298</b>	
<b>Other Financing Sources (Uses)</b>						
Transfers In	--	--	13,000	--	13,000	
Transfers Out	(13,000)	--	--	--	(13,000)	
<b>Net Other Financing Sources (Uses)</b>	<b>(13,000)</b>	<b>13,000</b>	<b>13,000</b>	<b>--</b>	<b>--</b>	
<b>Net Change in Fund Balance</b>	<b>104,243</b>	<b>116,643</b>	<b>7,785</b>	<b>3,627</b>	<b>232,298</b>	
<b>Fund Balance at Beginning of Period</b>	<b>975,009</b>	<b>500,392</b>	<b>71,706</b>	<b>42,629</b>	<b>1,589,736</b>	
<b>Fund Balance at End of Period</b>	<b>\$ 1,079,252</b>	<b>\$ 617,035</b>	<b>\$ 79,491</b>	<b>\$ 46,256</b>	<b>\$ 1,822,034</b>	

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Otisco**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended March 31, 2022**

Total Net Change in Fund Balances - Governmental Funds	\$	232,298
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is the current year depreciation expense of \$7,772.		(7,772)
<b>Changes in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>224,526</u></b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Otisco  
Statement of Fiduciary Net Position  
Fiduciary Fund  
March 31, 2022**

DRAFT

	<b>Custodial - Tax Collection</b>
<b>ASSETS</b>	
Cash and Investments	\$ 4,922
<i>Total Assets</i>	4,922
<b>LIABILITIES</b>	
Payable to Other Governments	4,922
<i>Total Liabilities</i>	4,922
<b>NET POSITION</b>	
Restricted for Individuals, Organizations, and Other Governments	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

DRAFT

**Township of Otisco**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the Year Ended March 31, 2022**

	<u>Custodial - Tax Collection</u>
<b>Additions</b>	
Taxes Collected for Other Governments	\$ 2,597,887
<i>Total Additions</i>	<u>2,597,887</u>
<b>Deductions</b>	
Taxes Disbursed to Other Governments	<u>2,597,887</u>
<i>Total Deductions</i>	<u>2,597,887</u>
<i>Change in Net Position</i>	--
<i>Net Position at Beginning of Period</i>	--
<i>Net Position at End of Period</i>	<u>\$ --</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

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**Notes to the Financial Statements**

## Township of Otisco

### Notes to the Financial Statements

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#### **Note 1 - Summary of Significant Accounting Policies**

The financial statements of the Township of Otisco (the "Township" or "government") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

#### ***Reporting Entity***

The Township was organized on March 6, 1838, under the applicable laws of the State of Michigan. The Township is governed by a Board of Trustees which consists of Supervisor, Clerk, Treasurer, and two Trustees, and provides the following services: public safety (fire), road maintenance, cemetery, public improvements, health and welfare (ambulance), community and economic development, and general administrative services including tax collection and elections.

These financial statements only present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Township exercises oversight responsibility.

#### ***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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



## Township of Otisco

### Notes to the Financial Statements

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#### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The ***general fund*** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***road fund*** accounts for the maintenance and improvement activities for streets within the Township. Funding is primarily property tax revenue.

The ***fire fund*** accounts for fire department activities that provide fire and emergency services within the Township. Funding is primarily special assessments.

## Township of Otisco

### Notes to the Financial Statements

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In addition the Township reports the following governmental funds.

*Fiduciary funds* are custodial in nature and do not present results of operations or have a measurement focus. Custodial funds are accounted for using the accrual basis of accounting. These funds are used to account for asset that the government holds for others in a custodial capacity (such as taxes collected for other governments).

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

#### *Assets, Liabilities, and Net Position or Equity*

##### *Cash and Cash Equivalents*

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and Township policy authorize the Township to invest in:

- Bonds, securities, other obligations, and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

## Township of Otisco

### Notes to the Financial Statements

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#### *Investments*

Investments are stated at fair value.

#### *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as “due to/from other funds” (i.e., the current portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable during the current year.

#### *Capital Assets*

Capital assets, which include property, plant, and equipment are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year and an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

	<u>Years</u>
Buildings and Improvements	10 - 40
Furniture	5 - 15
Machinery and Equipment	5 - 10
Vehicles	5 - 20

#### *Unearned Revenues*

Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

#### *Net Position Flow Assumption*

Sometimes the government will 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 financial

## Township of Otisco

### Notes to the Financial Statements

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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***

Sometimes the government will 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. Further, 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. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. 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 Township Board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) 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 Board can assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist 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.