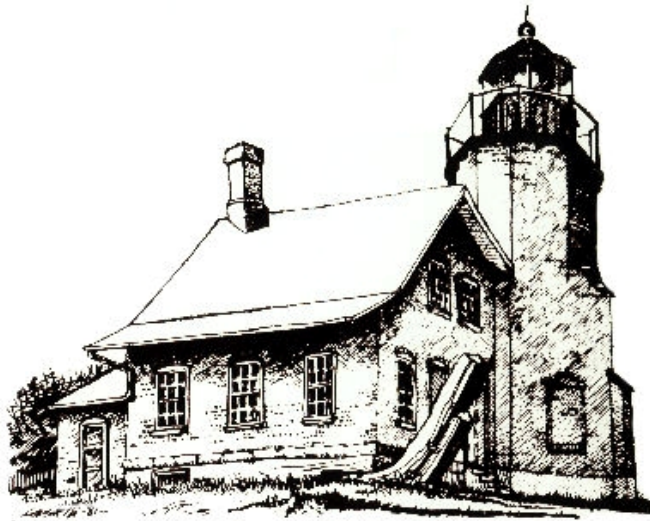


Fruitland Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

March 31, 2020



**Fruitland Township
White River Light Station Museum**

Fruitland Township

TABLE OF CONTENTS

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis..... 3

Basic Financial Statements

 Government-wide Financial Statements

 Statement of Net Position..... 9

 Statement of Activities 10

 Fund Financial Statements

 Governmental Funds

 Balance Sheet..... 11

 Reconciliation of the Governmental Funds

 Balance Sheet to the Statement of Net Position..... 12

 Statement of Revenues, Expenditures and Changes

 in Fund Balances..... 13

 Reconciliation of the Governmental Funds Statement of

 Revenues, Expenditures and Changes in Fund Balances

 to the Statement of Activities..... 14

 Fiduciary Funds

 Statement of Net Position..... 15

 Statement of Changes in Net Position..... 16

Notes to Financial Statements 17

Required Supplementary Information

 Budgetary Comparison Schedule—General Fund..... 26

INDEPENDENT AUDITOR’S REPORT

Township Board
Fruitland Township
Whitehall, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Fruitland Township, Michigan, as of and for the year ended March 31, 2020, and the related notes to financial statements, which collectively comprise the Township'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 auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Township Board
Fruitland Township
Page 2

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 major fund, and the aggregate remaining fund information of Fruitland Township, Michigan, as of March 31, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison schedules on pages 3 through 8 and 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Muskegon, Michigan
June 15, 2020

As management of Fruitland Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2020. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHT

The General Fund fund balance increased \$318,203.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Position presents information on all of the Township's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two 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 fiscal year. All changes in net position are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and culture and recreation activities. The Township does not currently have any business-type activities.

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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-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 short-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 the two.

Fruitland Township maintains one governmental fund, the General Fund.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual revenues and expenditures for the General Fund.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide Statement of Net Position for the Township. As stated earlier, net position may be used as an indicator of a government's financial health. As of March 31, 2020, the Township's net position from governmental activities totaled \$3,107,310.

Current assets increased as the Township had a surplus and did not make any significant capital purchases. Capital assets decreased as depreciation expense exceeded current year capital additions.

In examining the composition of net position, the reader should note that governmental activities include net position that is invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Certain other governmental net position is shown as restricted, meaning that it is subject to external restrictions on how it may be used. The unrestricted net position for governmental activities depicts a balance of \$2,157,556. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Position

	Governmental Activities	
	2020	2019
Current assets	\$ 2,299,945	\$ 2,018,657
Capital assets	818,425	843,176
Total assets	3,118,370	2,861,833
Current liabilities	11,060	24,524
Net position		
Net investment in capital assets	818,425	843,176
Restricted	131,329	127,024
Unrestricted	2,157,556	1,867,109
Total net position	\$ 3,107,310	\$ 2,837,309

Governmental Activities

Net position of the Township’s governmental activities increased by \$270,001 (9.5%) during the 2020 fiscal year. The following table shows these results.

Charges for services increased due to additional cemetery activity and election reimbursements. Grants and contributions not restricted increased due to additional state revenue sharing. Public works expenses fluctuate depending on the amount of road improvements performed during a year with less being performed in the current year than in the prior year. The following table depicts these occurrences.

Change in Net Position

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues		
Charges for services	\$ 274,770	\$ 246,336
Operating grants and contributions	12,196	11,902
Capital grants and contributions	3,842	2,358
General revenues		
Property taxes	385,126	376,195
Franchise fees	42,499	43,216
Grants and contributions not restricted	496,708	472,190
Unrestricted investments earnings	15,551	11,652
Miscellaneous	6,506	13,744
Total revenues	1,237,198	1,177,593
Expenses:		
General government	452,153	436,400
Public safety	191,034	195,758
Public works	246,880	371,680
Community and economic development	25,985	24,953
Culture and recreation	51,145	48,353
Total expenses	967,197	1,077,144
Change in net position	270,001	100,449
Net position - Beginning	2,837,309	2,736,860
Net position - Ending	\$ 3,107,310	\$ 2,837,309

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Fruitland Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Township. The General Fund ended the year with a fund balance of \$2,288,885, an increase of \$318,203. The health of the General Fund may be measured by the ratio of unassigned fund balance to annual expenditures. Unassigned fund balance represents 137% of the General Fund's expenditures (115% in the prior year).

At the end of the 2020 fiscal year, the Township's General Fund reported unassigned fund balance of \$1,294,524. The remainder of the fund balance is nonspendable for prepaid items or restricted for right-of-way improvements of \$51,027, public works utilities of \$71,002, White River Light Station preservation and maintenance of \$8,000, and Township hall improvements of \$1,300. In addition, the Township Board has committed \$775,392 for road construction and maintenance and \$85,661 for equipment replacement.

General Fund Budget

During the current fiscal year, the Township made the following significant budget amendments:

- The licenses and permits revenues budget was increased by \$45,801 due to additional building and other mechanical permit activity.
- The charges for services revenues budget was increased by \$26,960 due to election reimbursements and additional cemetery activity.
- The investment earnings budget was increased by \$10,529 due to a higher than expected rate of return.
- The building inspections budget was increased by \$25,747 due to additional costs related to higher than expected permitting activity.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Property tax revenues were over budget by \$31,448 due to higher than expected taxable values and higher administrative fees.
- Intergovernmental revenues – State were over budget by \$46,562 due to higher than expected revenue sharing.
- Professional services expenditures were under budget by \$16,108 due to lower than expected legal expenditures.
- Road construction and maintenance was under budget by \$60,766 as the Township's planned improvements were able to be completed at a lower cost than budgeted.

Capital Assets

Fruitland Township's investment in capital assets for its governmental activities as of March 31, 2020 totaled \$818,425 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment and vehicles.

During the fiscal year, the Township installed a water line to a pavilion for \$4,785.

Capital Assets

	Governmental Activities	
	2020	2019
Land	\$ 400,913	\$ 400,913
Buildings and improvements	384,342	397,080
Equipment and vehicles	33,170	45,183
Total	\$ 818,425	\$ 843,176

Additional information on the Township's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

General Economic Overview

The Township's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. These two sources comprise approximately 70 percent of the General Fund's revenue sources. In fiscal year 2021, the Township is conservatively budgeting a \$30,000 reduction in revenue sharing although more cuts from the State are possible and no increase in property tax revenues. Property sales of approximately \$37,000 are budgeted. No other significant changes are expected for other revenues in fiscal year 2021.

The Township expects General Fund expenditures for operations in fiscal year 2021 to remain consistent with fiscal year 2020. The Township is in the midst of a multi-year road improvement project with the Road Commission. For fiscal year 2021, improvements to portions of McMillan, Jay, Bard and Tyler Roads are budgeted. The Township's share of these projects is approximately \$213,000. The Township has also budgeted approximately \$53,000 for playground equipment, approximately \$30,000 for the purchase of a new vehicle, approximately \$10,000 for the purchase of a new mower, and approximately \$22,500 for improvements to the Township approach and parking lot off Duck Lake Road. No other significant capital improvements are planned at this time.

Requests for Information

This financial report is designed to provide a general overview of Fruitland Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fruitland Township, 4545 Nestrom Road, Whitehall, MI 49461 (231) 766-3208.

Fruitland Township
STATEMENT OF NET POSITION
 March 31, 2020

	Governmental Activities
ASSETS	
Current assets	
Cash and investments	\$ 2,197,066
Receivables	
Accounts	3,898
Property taxes	10,671
Due from other governmental units	86,331
Prepaid items	1,979
Total current assets	2,299,945
Noncurrent assets	
Capital assets, net	
Nondepreciable	400,913
Depreciable	417,512
Total noncurrent assets	818,425
Total assets	3,118,370
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	11,060
NET POSITION	
Net investment in capital assets	818,425
Restricted	
Right-of-way	51,027
Public works - utilities	71,002
White River Light Station preservation and maintenance	8,000
Township Hall capital improvements	1,300
Unrestricted	2,157,556
Total net position	\$ 3,107,310

The accompanying notes are an integral part of this statement.

Fruitland Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2020

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
General government	\$ 452,153	\$ 38,197	\$ -	\$ (413,956)
Public safety	191,034	147,453	3,342	(40,239)
Public works	246,880	74,823	8,854	(159,361)
Community and economic development	25,985	8,250	-	(17,735)
Culture and recreation	51,145	6,047	-	(45,098)
Total governmental activities	\$ 967,197	\$ 274,770	\$ 12,196	\$ 3,842
General revenues				
Property taxes, levied for general purposes				385,126
Franchise fees				42,499
Grants and contributions not restricted to specific programs				496,708
Unrestricted investment earnings				15,551
Miscellaneous				6,506
Total general revenues				<u>946,390</u>
Change in net position				270,001
Net position at beginning of year				<u>2,837,309</u>
Net position at end of year				<u>\$ 3,107,310</u>

The accompanying notes are an integral part of this statement.

Fruitland Township
BALANCE SHEET
 Governmental Funds
 March 31, 2020

	General Fund
ASSETS	
Cash and investments	\$ 2,197,066
Receivables	
Accounts	3,898
Property taxes	10,671
Due from other governmental units	86,331
Prepaid items	1,979
Total assets	\$ 2,299,945
LIABILITIES	
Accounts payable	\$ 11,060
FUND BALANCES	
Nonspendable - prepaid items	1,979
Restricted	
Right-of-way	51,027
Public works - utilities	71,002
White River Light Station preservation and maintenance	8,000
Township Hall capital improvements	1,300
Committed	
Road construction and maintenance	775,392
Equipment replacement	85,661
Unassigned	1,294,524
Total fund balances	2,288,885
Total liabilities and fund balances	\$ 2,299,945

The accompanying notes are an integral part of this statement.

Fruitland Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 March 31, 2020

Total fund balances—governmental funds \$ 2,288,885

Amounts reported for governmental activities in the Statement of
 Net Position are different because:

Capital assets used in governmental activities are not current financial
 resources and, therefore, are not reported in the governmental funds.

Cost of capital assets	\$ 1,359,922	
Accumulated depreciation	<u>(541,497)</u>	<u>818,425</u>

Net position of governmental activities		<u>\$ 3,107,310</u>
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The accompanying notes are an integral part of this statement.

Fruitland Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended March 31, 2020

	General Fund
REVENUES	
Property taxes	\$ 385,126
Licenses and permits	195,002
Intergovernmental revenues - State	508,904
Charges for services	121,570
Fines and forfeitures	92
Investment earnings	15,551
Other	34,404
Total revenues	1,260,649
EXPENDITURES	
Current	
General government	414,336
Public safety	190,935
Public works	243,841
Community and economic development	25,986
Culture and recreation	44,240
Other governmental functions	18,323
Capital outlay	4,785
Total expenditures	942,446
Net change in fund balance	318,203
Fund balance at beginning of year	1,970,682
Fund balance at end of year	\$ 2,288,885

The accompanying notes are an integral part of this statement.

Fruitland Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended March 31, 2020

Net change in fund balance—total governmental funds \$ 318,203

Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report outlays for capital assets as expenditures.
However, in the Statement of Activities, the cost of these assets
is allocated over their estimated useful lives and reported as
depreciation expense.

Depreciation expense	\$ (29,536)	
Capital outlay	<u>4,785</u>	(24,751)

Revenue reported in the Statement of Activities that does not provide
current financial resources are not reported as revenue in the
governmental funds.

(23,451)

Change in net position of governmental activities

\$ 270,001

The accompanying notes are an integral part of this statement.

Fruitland Township
STATEMENT OF NET POSITION
 Fiduciary Funds
 March 31, 2020

	Custodial Funds		
	Escrow	Current Tax	Total
ASSETS			
Cash and investments	\$ 5,244	\$ 535	\$ 5,779
LIABILITIES			
Deposits held for others	5,244	-	5,244
Due to other governmental units	-	535	535
Total liabilities	5,244	535	5,779
NET POSITION			
Restricted for individuals, organizations and other governments	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this statement.

Fruitland Township
STATEMENT OF CHANGES IN NET POSITION
 Fiduciary Funds
 For the year ended March 31, 2020

	Custodial Funds		
	Escrow	Current Tax	Total
ADDITIONS			
Property tax collections for other governments	\$ -	\$ 10,249,059	\$ 10,249,059
Escrow deposits received	10,000	-	10,000
Total additions	10,000	10,249,059	10,259,059
DEDUCTIONS			
Payments of property taxes to other governments	-	10,249,059	10,249,059
Escrow deposits returned	10,000	-	10,000
Total deductions	10,000	10,249,059	10,259,059
Change in net position	-	-	-
Net position at beginning of year	-	-	-
Net position at end of year	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this statement.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Fruitland Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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 is a common law township governed by an elected seven-member board. Generally accepted accounting principles require that if the Township is considered to be financially accountable for other organizations, those organizations should be included as component units in the Township's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—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 Township. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The Township has no business-type activities.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The fund financial statements provide information about the Township's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Township reports the following major governmental fund:

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

Additionally, the Township reports the following fund type:

The Custodial Fund is used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

The 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 Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. 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 government.

The fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

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.

Investments for the Township are reported at fair value (generally based on quoted market prices).

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years.

As the Township constructs or acquires additional capital assets each period they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value at the date of donation.

Land and construction in progress are not depreciated. The other property and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Buildings and improvements	15-60
Equipment and vehicles	3-10

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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 of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the Township 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 Township'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.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

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 Township itself can establish limitation 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 Township’s highest level of decision-making authority. The Township Board is the highest level of decision-making authority for the Township that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The Township Board has by resolution authorized the Township Treasurer or Clerk to assign fund balance. The Township Board may also 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.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied and liened on December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollected real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Property Taxes—Continued

The 2019 state taxable value for real/personal property of the Township totaled approximately \$291,439,000. The ad valorem taxes levied consisted of .8932 mills for the Township's operating purposes. This amount is recognized in the General Fund.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

NOTE C—DEPOSITS AND INVESTMENTS

Deposit and Investment Risks

Interest Rate Risk

The Township investments policy limits investment maturities to three years. This policy is used as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2020, \$165,324 of the Township's bank balance of \$2,376,034 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
 March 31, 2020

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks—Continued

Custodial Credit Risk—Investments

The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign Currency Risk

The Township is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2020 was as follows:

	Balance April 1, 2019	Additions	Deductions	Balance March 31, 2020
Capital assets, not being depreciated:				
Land	\$ 400,913	\$ -	\$ -	\$ 400,913
Capital assets, being depreciated:				
Buildings and improvements	667,871	4,785	-	672,656
Equipment and vehicles	286,353	-	-	286,353
Total capital assets, being depreciated	954,224	4,785	-	959,009
Less accumulated depreciation:				
Buildings and improvements	270,791	17,523	-	288,314
Equipment and vehicles	241,170	12,013	-	253,183
Total accumulated depreciation	511,961	29,536	-	541,497
Total capital assets, being depreciated, net	442,263	(24,751)	-	417,512
Capital assets, net	\$ 843,176	\$ (24,751)	\$ -	\$ 818,425

Depreciation

Depreciation expense has been charged to functions as follows:

General government	\$ 19,494
Public safety	99
Public works	3,038
Culture and recreation	6,905
	\$ 29,536

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE E—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The County of Muskegon issued a \$4,940,000 Water Supply System Refunding Bond in 2019 to refund bonds which had been issued to fund improvements to the Northside Water System which includes part of the Township. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on March 31, 2020 was \$1,131,250, or 25 percent of the bonds. The Township is unaware of any circumstances that would cause a shortfall in the near future.

The County of Muskegon issued a \$6,550,000 Water Supply System Refunding Bond in 2015 to refund bonds which had been issued to fund improvements to the Northside Water System which includes part of the Township. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on March 31, 2020 was \$1,346,400, or 24 percent of the bonds. The Township is unaware of any circumstances that would cause a shortfall in the near future.

Commitments

The Township has various contract agreements for street projects as of March 31, 2020 of approximately \$213,000.

Jointly Governed Entity

White Lake Fire Authority

The Township, in conjunction with two other governmental entities, created the White Lake Fire Authority. The Authority was formed to jointly provide fire protection and rescue services within the combined service area, which encompasses the participating municipalities. The administrative board of the Authority is comprised of one representative from each participating municipality. No participant has any obligation, entitlement, or residual interest. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained from the Authority (115 S. Baldwin, Whitehall, MI 49461).

Fruitland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE F—PENSION PLAN

Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all board members and full-time employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

Under the Plan, the Township contributes 15 percent of qualified employees' annual compensation. For the year ended March 31, 2020, the Township's contribution expense was \$30,813.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

NOTE G—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 39 percent of General Fund revenues.

NOTE H—UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement 87—*Leases* was issued by the GASB in June 2017 and will be effective for the Township's 2023 fiscal year. The objective of this Statement is to better meet the information needs of financial statements users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE I—SUBSEQUENT EVENTS

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully understand the impact that it will have on the economy and on the Township's operations. As of June 15, 2020, the Township is in the process of implementing risk mitigation tactics including all aspects of the Township's business transactions with customers, vendors and human interaction within and outside of the Township.

In May 2020, the Township entered into a contract for the purchase of a new work truck at a cost of approximately \$28,000. The purchase will be paid with available fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

Fruitland Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Final Budget - Positive (Negative)</u>
REVENUES				
Property taxes	\$ 346,700	\$ 353,678	\$ 385,126	\$ 31,448
Licenses and permits	141,500	187,301	195,002	7,701
Intergovernmental revenues - State	461,850	462,342	508,904	46,562
Charges for services	93,150	120,110	121,570	1,460
Fines and forfeitures	1,100	1,100	92	(1,008)
Investment earnings	3,770	14,299	15,551	1,252
Other	25,768	30,392	34,404	4,012
Total revenues	1,073,838	1,169,222	1,260,649	91,427
EXPENDITURES				
Current				
General government				
Legislative	50,370	52,281	47,329	4,952
Supervisor	49,482	49,482	48,832	650
Election	15,722	16,992	14,515	2,477
Assessor	44,205	44,235	44,132	103
Clerk	50,999	51,012	50,710	302
Board of review	1,835	1,835	966	869
Treasurer	57,425	57,425	56,178	1,247
Hall and grounds	53,099	54,211	50,856	3,355
Community building	13,583	17,726	16,453	1,273
Township property	15,506	25,216	20,854	4,362
Cemetery	21,719	25,250	22,679	2,571
Professional services	56,940	56,940	40,832	16,108
Public safety				
Law enforcement	81,852	82,026	78,836	3,190
Building inspections	86,453	112,201	112,099	102
Public works				
Road construction and maintenance	215,000	215,000	154,234	60,766
Drains	450	2,008	1,511	497
Street lighting	18,800	18,800	19,319	(519)
Lake maintenance	1,000	1,000	-	1,000
Sanitation	74,802	77,273	68,777	8,496
Community and economic development				
Planning commission	23,102	23,167	20,486	2,681
Zoning board of appeals	7,287	7,288	5,500	1,788
Culture and recreation				
Museum	22,307	24,952	19,626	5,326
Parks	32,202	34,522	24,614	9,908
Other governmental functions	25,000	25,000	18,323	6,677
Capital outlay	5,250	5,250	4,785	465
Total expenditures	1,024,390	1,081,092	942,446	138,646
Net change in fund balance	<u>\$ 49,448</u>	<u>\$ 88,130</u>	318,203	<u>\$ 230,073</u>
Fund balance at beginning of year			1,970,682	
Fund balance at end of year			<u>\$ 2,288,885</u>	