

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

MARCH 31, 2021

TABLE OF CONTENTS

| | <u>PAGES</u> |
|---|--------------|
| Independent Auditor's Report | i-ii |
| Management's Discussion and Analysis | iii-ix |
| Basic Financial Statements | |
| Government-Wide Financial Statements | |
| Statement of Net Position | 1 |
| Statement of Activities | 2 |
| Fund Financial Statements | |
| Governmental Funds | |
| Balance Sheet | 3 |
| Reconciliation of the Balance Sheet to the Statement of Net Position | 4 |
| Statement of Revenues, Expenditures and Changes in Fund Balance | 5 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 6 |
| Proprietary Fund | |
| Statement of Net Position | 7 |
| Statement of Revenues, Expenses and Changes in Net Position | 8 |
| Statement of Cash Flows | 9 |
| Fiduciary Fund | |
| Statement of Fiduciary Net Position | 10 |
| Statement of Changes in Fiduciary Net Position | 11 |
| Notes to Financial Statements | 12-24 |
| Required Supplementary Information | |
| Budgetary Comparison Schedule - General Fund | 25 |



Baird, Cotter & Bishop, P.C.

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June 15, 2021

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Charter Township of Green
Mecosta County
Paris, Michigan

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through ix and budgetary comparison information on page 25 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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2021

Management's Discussion and Analysis

The management of Charter Township of Green, Mecosta County, Paris, Michigan ("the Township") offers this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- ❖ The assets of the Township exceeded its liabilities at the close of this fiscal year by \$2,525,893 (shown as *net position*). Of this amount, \$1,106,016 (*unrestricted net position*) may be used to meet the Township's ongoing obligations to citizens and creditors.
- ❖ The Township's net position increased by \$19,013 during the fiscal year. Governmental activities had a \$42,294 increase, while business-type activities had a \$23,281 decrease.
- ❖ As of March 31, 2021, the general fund of the Township reported an ending fund balance of \$624,813, of which \$485,009 was unassigned.
- ❖ The net position of the Township's Sewer Fund decreased by \$23,281, bringing the total net position of this fund to \$995,613.

Overview of the Financial Statements

This discussion and analysis provided here is intended to serve as an introduction to the Township's basic financial statements. The Township's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The 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 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 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 the 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 periods.

Both of the government-wide statements distinguish functions of the Township that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, recreation and culture, and other functions. Business-type activities of the Township include the sewer system.

The government-wide financial statements can be found on pages 1-2 of this report.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2021

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 compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions 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 two governmental funds, the General Fund and the Cherry Meadows Road Special Assessment Fund.

The Township adopts an annual budget for the General Fund. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

Proprietary Funds – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses an enterprise fund to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

The basic proprietary fund financial statements can be found on pages 7-9 of this report.

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 Township maintains one type of fiduciary fund. The custodial fund reports resources held by the Township in a custodial capacity for other governments. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 10-11 of this report.

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 notes can be found on pages 12-24 of this report.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2021

Other Information In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide 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 Charter Township of Green, assets exceeded liabilities by \$2,525,893, at the close of the most recent fiscal year.

Charter Township of Green
Net Position as of March 31,

| | <u>Governmental</u> | | <u>Business-Type</u> | | <u>Total</u> | |
|----------------------------------|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
| | <u>Activities</u> | | <u>Activities</u> | | | |
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Assets | | | | | | |
| Current Assets | \$ 633,213 | \$ 601,470 | \$ 488,129 | \$ 488,726 | \$ 1,121,342 | \$ 1,090,196 |
| Non Current Assets | | | | | | |
| Capital Assets | 1,327,519 | 1,282,081 | 1,349,123 | 1,349,123 | 2,676,642 | 2,631,204 |
| Less: Accumulated Depreciation | (428,678) | (392,952) | (828,087) | (805,310) | (1,256,765) | (1,198,262) |
| Total Non Current Assets | 898,841 | 889,129 | 521,036 | 543,813 | 1,419,877 | 1,432,942 |
| Total Assets | 1,532,054 | 1,490,599 | 1,009,165 | 1,032,539 | 2,541,219 | 2,523,138 |
| Liabilities | | | | | | |
| Current Liabilities | 1,774 | 2,613 | 13,552 | 13,645 | 15,326 | 16,258 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 898,841 | 889,129 | 521,036 | 543,813 | 1,419,877 | 1,432,942 |
| Unrestricted | 631,439 | 598,857 | 474,577 | 475,081 | 1,106,016 | 1,073,938 |
| Total Net Position | \$ 1,530,280 | \$ 1,487,986 | \$ 995,613 | \$ 1,018,894 | \$ 2,525,893 | \$ 2,506,880 |

A significant portion of the Township's net position reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire or construct those assets. The Township uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending

The remaining balance of unrestricted net position, \$1,106,016, may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2021

Charter Township of Green's overall net position increased \$19,013 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Charter Township of Green
Change in Net Position
for the Fiscal Year Ended March 31,

| | <u>Governmental</u> | | <u>Business-Type</u> | | <u>Total</u> | |
|--|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
| | <u>Activities</u> | | <u>Activities</u> | | | |
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| <u>Revenues</u> | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 34,446 | \$ 39,551 | \$ 88,136 | \$ 88,491 | \$ 122,582 | \$ 128,042 |
| Operating Grants and Contributions | 11,529 | 7,963 | 0 | 0 | 11,529 | 7,963 |
| Capital Grants and Contributions | 0 | 0 | 0 | 0 | 0 | 0 |
| General Revenues | | | | | | |
| Taxes | 123,569 | 121,853 | 0 | 0 | 123,569 | 121,853 |
| State Shared Revenue | 293,985 | 295,592 | 0 | 0 | 293,985 | 295,592 |
| Interest | 514 | 4,145 | 3,182 | 6,926 | 3,696 | 11,071 |
| Other | 10,791 | 10,187 | 0 | 0 | 10,791 | 10,187 |
| Total Revenues | 474,834 | 479,291 | 91,318 | 95,417 | 566,152 | 574,708 |
| <u>Expenses</u> | | | | | | |
| General Government | 271,241 | 256,189 | 0 | 0 | 271,241 | 256,189 |
| Public Safety | 91,782 | 88,892 | 0 | 0 | 91,782 | 88,892 |
| Public Works | 31,291 | 28,645 | 0 | 0 | 31,291 | 28,645 |
| Recreation and Culture | 20,775 | 33,111 | 0 | 0 | 20,775 | 33,111 |
| Other Functions | 17,451 | 17,359 | 0 | 0 | 17,451 | 17,359 |
| Sewer System | 0 | 0 | 114,599 | 128,409 | 114,599 | 128,409 |
| Total Expenses | 432,540 | 424,196 | 114,599 | 128,409 | 547,139 | 552,605 |
| Change in Net Position | 42,294 | 55,095 | (23,281) | (32,992) | 19,013 | 22,103 |
| <u>NET POSITION</u> – Beginning of Year | 1,487,986 | 1,432,891 | 1,018,894 | 1,051,886 | 2,506,880 | 2,484,777 |
| <u>NET POSITION</u> – End of Year | \$ 1,530,280 | \$ 1,487,986 | \$ 995,613 | \$ 1,018,894 | \$ 2,525,893 | \$ 2,506,880 |

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2021

Governmental Activities During the current fiscal year, net position for the governmental activities increased \$42,294 from the prior fiscal year for an ending balance of \$1,530,280. The most significant portion of the revenue for all governmental activities of the Township comes from state-shared revenues and property taxes. The Township levied 1.2343 mills for general operating purposes and collected \$293,400 in state-shared revenues.

The Township's governmental activities expenses are dominated by General Government expenditures. The Township spent \$271,241 on General Government during the fiscal year. Public Safety represented the next largest expense at \$91,782.

Business-Type Activities For the Township's business-type activities, net position decreased during the fiscal year by \$23,281 to reach an ending balance of \$955,613. The business-type activities of the Township include the Sewer Fund, which provides sewer services to certain Township residents as well as commercial customers.

Financial Analysis of the Government's Funds

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 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, 2021, the Township's governmental funds reported an ending fund balance of \$623,413, an increase of \$40,399 in comparison with the prior year. \$483,609 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is assigned for particular purposes (\$136,993) or nonspendable for prepaid expenditures (\$2,811).

General Fund – The General Fund increase its fund balance by \$31,814, which brings the fund balance to \$624,813. The primary reason for this increase was due to the revenue outweighing the expenditures during the fiscal year and expending less on road improvements compared to the prior year.

Cherry Meadows Road Special Assessment - The Cherry Meadows Special Assessment Fund increased its fund balance by \$8,585, bringing the balance to \$(1,400). The primary reason for the increase is the collection of the special assessment and minimal expenditures.

Proprietary Fund – The Township's proprietary fund provides the same information as the government-wide statements, but in more detail.

Sewer Fund – The Sewer Fund ended the fiscal year with a decrease in net position of \$23,281, which brings the balance to \$995,613. Depreciation expense amounted to \$22,777 and sewer maintenance and repairs added to the decrease.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2021

General Fund Budgetary Highlights

During the year, appropriations were amended to increase or decrease various functions for expenditures. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget, and actual totals from operations.

| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> |
|--------------------|----------------------------|-------------------------|-------------------|
| Total Revenues | <u>\$ 439,984</u> | <u>\$ 439,984</u> | <u>\$ 473,766</u> |
| Total Expenditures | <u>\$ 564,420</u> | <u>\$ 564,420</u> | <u>\$ 441,952</u> |

There were no changes in the original and final budgeted revenues. Although the original and final budgeted expenditures are the same in total there were various amendments during the year, the most significant being an increase in elections and a decrease in township board.

A review of actual revenues compared with estimated revenues yields significant variances for taxes, state grants, and other revenues. The Township received more in taxes, state-shared revenues and other revenues than originally anticipated. Also, the Township received several reimbursements that were not budgeted for.

A review of actual expenditures compared to final budgeted expenditures yields significant variances for township board, building and grounds, and highways, streets, bridges. Additionally, the variances can be attributed to the fact that the Township typically builds excess expenditures into its budget to cover unusual expenses and often bases its budget for these functions on prior year results. This caused actual expenditures to be lower than what was budgeted for.

Capital Assets

Capital Assets The Township's investment in capital assets for governmental and business-type activities as of March 31, 2021, amounted to \$1,419,877 net of accumulated depreciation.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2021

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Charter Township of Green
Capital Assets as of March 31,

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------|----------------------------|-------------------|-----------------------------|-------------------|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Land | \$ 106,765 | \$ 106,765 | \$ 0 | \$ 0 | \$ 106,765 | \$ 106,765 |
| Buildings and Improvements | 511,319 | 505,809 | 0 | 0 | 511,319 | 505,809 |
| Infrastructure | 672,107 | 632,179 | 0 | 0 | 672,107 | 632,179 |
| Furniture and Equipment | 37,328 | 37,328 | 0 | 0 | 37,328 | 37,328 |
| Plant and System | 0 | 0 | 1,329,701 | 1,329,701 | 1,329,701 | 1,329,701 |
| Equipment | 0 | 0 | 19,422 | 19,422 | 19,422 | 19,422 |
| | 1,327,519 | 1,282,081 | 1,349,123 | 1,349,123 | 2,676,642 | 2,631,204 |
| Less: Accumulated Depreciation | (428,678) | (392,952) | (828,087) | (805,310) | (1,256,765) | (1,198,262) |
| Net Capital Assets | <u>\$ 898,841</u> | <u>\$ 889,129</u> | <u>\$ 521,036</u> | <u>\$ 543,813</u> | <u>\$ 1,419,877</u> | <u>\$ 1,432,942</u> |

The major capital asset additions were:

- Ash Drive Road Improvements - \$39,928
- Township Hall Parking Lot - \$5,510

Economic Condition and Outlook

The following economic factors currently affect Charter Township of Green and were considered in developing the 2021-2022 budget:

- The COVID-19 pandemic continues to impact the State of Michigan and the Township. While funding so far has remained at historical levels, a downturn in economic conditions could cause funding cuts to governments. Any cut to funding would cause the Township to re-evaluate its financial situation and act accordingly.
- The Township continues to look for ways to improve the services it provides to its residents in a manner that is financially responsible.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Charter Township of Green at 21431 Northland Drive, Paris, Michigan 49338, (231) 796-6201.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

STATEMENT OF NET POSITION
MARCH 31, 2021

| | GOVERNMENTAL ACTIVITIES | BUSINESS- TYPE ACTIVITIES | TOTALS |
|----------------------------------|----------------------------|---------------------------------|--------------|
| <u>ASSETS</u> | | | |
| <u>CURRENT ASSETS</u> | | | |
| Cash and Cash Equivalents | \$ 560,869 | \$ 482,211 | \$ 1,043,080 |
| Receivables | | | |
| Accounts | 3,554 | 5,233 | 8,787 |
| Taxes | 7,141 | 0 | 7,141 |
| Special Assessment | 9,308 | 0 | 9,308 |
| Prepaid Expense | 2,811 | 685 | 3,496 |
| Due from Other Governments | 49,530 | 0 | 49,530 |
| | <hr/> | <hr/> | <hr/> |
| Total Current Assets | 633,213 | 488,129 | 1,121,342 |
| <u>CAPITAL ASSETS</u> | | | |
| Land | 106,765 | 0 | 106,765 |
| Buildings and Improvements | 511,319 | 0 | 511,319 |
| Infrastructure | 672,107 | 0 | 672,107 |
| Furniture and Equipment | 37,328 | 0 | 37,328 |
| Plant and System | 0 | 1,329,701 | 1,329,701 |
| Equipment | 0 | 19,422 | 19,422 |
| | <hr/> | <hr/> | <hr/> |
| | 1,327,519 | 1,349,123 | 2,676,642 |
| Less Accumulated Depreciation | (428,678) | (828,087) | (1,256,765) |
| Net Capital Assets | <hr/> | <hr/> | <hr/> |
| | 898,841 | 521,036 | 1,419,877 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL ASSETS | 1,532,054 | 1,009,165 | 2,541,219 |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | 299 | 0 | 299 |
| Security Deposits Payable | 1,475 | 0 | 1,475 |
| Due to Other Governments | 0 | 13,552 | 13,552 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL LIABILITIES | 1,774 | 13,552 | 15,326 |
| <u>NET POSITION</u> | | | |
| Net Investment in Capital Assets | 898,841 | 521,036 | 1,419,877 |
| Unrestricted | 631,439 | 474,577 | 1,106,016 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL NET POSITION | \$ 1,530,280 | \$ 995,613 | \$ 2,525,893 |
| | <hr/> | <hr/> | <hr/> |

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2021

| FUNCTIONS/PROGRAMS | PROGRAM REVENUES | | | NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION | | | |
|---------------------------------|-------------------|----------------------|------------------------------------|--|---------------------------------------|-----------------|------------------|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL BUSINESS-TYPE ACTIVITIES | | TOTALS |
| | | | | | ACTIVITIES | ACTIVITIES | |
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | | | | |
| General Government | \$ 271,241 | \$ 34,446 | \$ 5,000 | \$ 0 | \$ (231,795) | \$ 0 | \$ (231,795) |
| Public Safety | 91,782 | 0 | 0 | 0 | (91,782) | 0 | (91,782) |
| Public Works | 31,291 | 0 | 6,529 | 0 | (24,762) | 0 | (24,762) |
| Recreation and Culture | 20,775 | 0 | 0 | 0 | (20,775) | 0 | (20,775) |
| Other Functions | 17,451 | 0 | 0 | 0 | (17,451) | 0 | (17,451) |
| Total Governmental Activities | 432,540 | 34,446 | 11,529 | 0 | (386,565) | 0 | (386,565) |
| <u>BUSINESS-TYPE ACTIVITIES</u> | | | | | | | |
| Sewer System | 114,599 | 88,136 | 0 | 0 | 0 | (26,463) | (26,463) |
| TOTAL | \$ 547,139 | \$ 122,582 | \$ 11,529 | \$ 0 | (386,565) | (26,463) | (413,028) |

GENERAL REVENUES

| | | | |
|---|--------------|------------|--------------|
| Taxes | 123,569 | 0 | 123,569 |
| State-Shared Revenue | 293,985 | 0 | 293,985 |
| Interest | 514 | 3,182 | 3,696 |
| Other | 10,791 | 0 | 10,791 |
| Total General Revenues | 428,859 | 3,182 | 432,041 |
| Change in Net Position | 42,294 | (23,281) | 19,013 |
| <u>NET POSITION - Beginning of Year</u> | 1,487,986 | 1,018,894 | 2,506,880 |
| <u>NET POSITION - End of Year</u> | \$ 1,530,280 | \$ 995,613 | \$ 2,525,893 |

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2021

| | | <u>CAPITAL PROJECTS FUND</u> | | |
|--|-------------------------|---|-------------------|--|
| | <u>GENERAL FUND</u> | <u>CHERRY MEADOWS ROAD SPECIAL ASSESSMENT</u> | <u>TOTAL</u> | |
| <u>ASSETS</u> | | | | |
| Cash | \$ 558,282 | \$ 2,587 | \$ 560,869 | |
| Receivables | | | | |
| Accounts | 3,554 | 0 | 3,554 | |
| Taxes | 7,141 | 0 | 7,141 | |
| Special Assessment | 0 | 9,308 | 9,308 | |
| Prepaid Expenditures | 2,811 | 0 | 2,811 | |
| Due from Other Funds | 5,269 | 0 | 5,269 | |
| Due from Other Governments | 49,530 | 0 | 49,530 | |
| TOTAL ASSETS | <u>\$ 626,587</u> | <u>\$ 11,895</u> | <u>\$ 638,482</u> | |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u> | | | | |
| <u>LIABILITIES</u> | | | | |
| Accounts Payable | \$ 299 | \$ 0 | \$ 299 | |
| Security Deposits Payable | 1,475 | 0 | 1,475 | |
| Due to Other Funds | 0 | 5,269 | 5,269 | |
| Total Liabilities | <u>1,774</u> | <u>5,269</u> | <u>7,043</u> | |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | |
| Unavailable Revenue - Special Assessments | 0 | 8,026 | 8,026 | |
| <u>FUND BALANCE</u> | | | | |
| Nonspendable for Prepaid Expenditures | 2,811 | 0 | 2,811 | |
| Assigned for Subsequent Year's Budget Shortfall | 136,993 | 0 | 136,993 | |
| Unassigned (Deficit) | 485,009 | (1,400) | 483,609 | |
| Total Fund Balance | <u>624,813</u> | <u>(1,400)</u> | <u>623,413</u> | |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 626,587</u> | <u>\$ 11,895</u> | <u>\$ 638,482</u> | |

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
MARCH 31, 2021

Total Fund Balances for Governmental Funds \$ 623,413

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

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

| | | |
|----------------------------|------------------|---------|
| Land | \$ 106,765 | |
| Buildings and Improvements | 511,319 | |
| Infrastructure | 672,107 | |
| Furniture and Equipment | 37,328 | |
| Accumulated Depreciation | <u>(428,678)</u> | 898,841 |

Other long-term assets are not available to pay for current period expenditures
and therefore are recorded as deferred inflows of resources in the funds.

| | |
|--------------------------------|--------------|
| Special Assessments Receivable | <u>8,026</u> |
|--------------------------------|--------------|

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,530,280

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED MARCH 31, 2021

| | GENERAL FUND | CAPITAL PROJECTS FUND | | TOTAL |
|---|-----------------|--|--|------------|
| | | CHERRY MEADOWS ROAD SPECIAL ASSESSMENT | | |
| <u>REVENUES</u> | | | | |
| Taxes | \$ 123,569 | \$ 0 | | \$ 123,569 |
| Licenses and Permits | 15,450 | 0 | | 15,450 |
| State Grants | 300,514 | 0 | | 300,514 |
| Charges for Services | 13,316 | 0 | | 13,316 |
| Interest and Rents | 5,719 | 475 | | 6,194 |
| Other Revenues | 15,198 | 8,410 | | 23,608 |
| Total Revenues | 473,766 | 8,885 | | 482,651 |
| <u>EXPENDITURES</u> | | | | |
| General Government | 266,886 | 0 | | 266,886 |
| Public Safety | 90,589 | 0 | | 90,589 |
| Public Works | 55,808 | 300 | | 56,108 |
| Recreation and Culture | 11,218 | 0 | | 11,218 |
| Other Functions | 17,451 | 0 | | 17,451 |
| Total Expenditures | 441,952 | 300 | | 442,252 |
| Net Change in Fund Balance | 31,814 | 8,585 | | 40,399 |
| <u>FUND BALANCE</u> - Beginning of Year (Deficit) | 592,999 | (9,985) | | 583,014 |
| <u>FUND BALANCE</u> - End of Year (Deficit) | \$ 624,813 | \$ (1,400) | | \$ 623,413 |

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2021

| | |
|---|-----------|
| Net Change in Fund Balance - Total Governmental Funds | \$ 40,399 |
|---|-----------|

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation.

| | |
|----------------------|----------|
| Depreciation Expense | (35,726) |
| Capital Outlay | 45,438 |

Under the modified accrual basis of accounting, revenue is recognized when measurable and available. The entity-wide statements recognize revenue when earned. Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund financial statements.

| | |
|--|--------------|
| Unavailable Revenue- Beginning of Year | (15,843) |
| Unavailable Revenue- End of Year | <u>8,026</u> |

| | |
|---|------------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 42,294</u> |
|---|------------------|

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET POSITION
MARCH 31, 2021

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

| | <u>SEWER FUND</u> |
|----------------------------------|-----------------------|
| <u>ASSETS</u> | |
| <u>CURRENT ASSETS</u> | |
| Cash and Cash Equivalents | \$ 482,211 |
| Accounts Receivable | 5,233 |
| Prepaid Expense | <u>685</u> |
| Total Current Assets | <u>488,129</u> |
| <u>CAPITAL ASSETS</u> | |
| Plant and System | 1,329,701 |
| Equipment | 19,422 |
| Less Accumulated Depreciation | <u>(828,087)</u> |
| Total Non-Current Assets | <u>521,036</u> |
| TOTAL ASSETS | <u>1,009,165</u> |
| <u>LIABILITIES</u> | |
| Due to Other Governments | <u>13,552</u> |
| <u>NET POSITION</u> | |
| Net Investment in Capital Assets | 521,036 |
| Unrestricted | <u>474,577</u> |
| TOTAL NET POSITION | <u>\$ 995,613</u> |

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED MARCH 31, 2021

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

| | <u>SEWER FUND</u> |
|---|-----------------------|
| <u>OPERATING REVENUES</u> | |
| Charges for Services | |
| Sewer Use Charges and Connection Fees | <u>\$ 88,136</u> |
| <u>OPERATING EXPENSES</u> | |
| Operations | 91,822 |
| Depreciation | <u>22,777</u> |
| Total Operating Expenses | <u>114,599</u> |
| Operating Income (Loss) | (26,463) |
| <u>NONOPERATING REVENUES (EXPENSES)</u> | |
| Interest Income | <u>3,182</u> |
| Change in Net Position | (23,281) |
| <u>NET POSITION</u> - Beginning of Year | <u>1,018,894</u> |
| <u>NET POSITION</u> - End of Year | <u>\$ 995,613</u> |

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF GREEN , MECOSTA COUNTY
PARIS, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2021

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

| | <u>SEWER FUND</u> |
|---|-------------------------|
| <u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u> | |
| Cash Flows from Operating Activities | |
| Cash Received from Customers and Other Revenues | \$ 88,304 |
| Cash Payments to Suppliers for Goods and Services | (66,296) |
| Cash Payments to Employees | (25,643) |
| | <hr/> |
| Net Cash Provided (Used) by Operating Activities | (3,635) |
| Cash Flows from Investing Activities | |
| Interest Received | 3,182 |
| | <hr/> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (453) |
| <u>CASH AND CASH EQUIVALENTS - Beginning of Year</u> | <hr/> 482,664 |
| <u>CASH AND CASH EQUIVALENTS - End of Year</u> | <hr/> <u>\$ 482,211</u> |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u> | |
| <u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u> | |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | |
| Operating Income (Loss) | <hr/> \$ (26,463) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Depreciation | 22,777 |
| (Increase) Decrease in Current Assets | |
| Accounts Receivable | 168 |
| Prepaid Expense | (24) |
| Increase (Decrease) in Current Liabilities | |
| Due to Other Governments | (93) |
| | <hr/> |
| Total Adjustments | 22,828 |
| | <hr/> |
| Net Cash Provided (Used) by Operating Activities | <hr/> <u>\$ (3,635)</u> |

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET POSITION
MARCH 31, 2021

| | <u>CUSTODIAL FUND</u> |
|--------------------------|-----------------------------------|
| | TAX |
| | COLLECTION |
| | <u>FUND</u> |
| <u>ASSETS</u> | |
| Cash | \$ 0 |
| <u>LIABILITIES</u> | |
| Due to Other Governments | <u> 0</u> |
| <u>NET POSITION</u> | <u><u> 0</u></u> |

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

FIDUCIARY FUND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED MARCH 31, 2021

| | <u>CUSTODIAL FUND</u> <u>TAX COLLECTION</u> <u>FUND</u> |
|---|---|
| <u>ADDITIONS</u> | |
| Property Taxes Collected | \$ 2,582,560 |
| <u>DEDUCTIONS</u> | |
| Property Taxes Distributed | <u>2,582,560</u> |
| Net Increase (Decrease) in Fiduciary Net Position | 0 |
| <u>NET POSITION</u> - Beginning of Year | <u>0</u> |
| <u>NET POSITION</u> - End of Year | <u>\$ 0</u> |

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide 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 and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary governmental is financially accountable. Charter Township of Green does not have any component units.

B. Reporting Entity

Charter Township of Green is a charter township located in Mecosta County which operates under the direction of an elected seven-member board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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 where the amounts are reasonably equivalent in value to the interfund services provided and other charges between government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

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

The Charter Township of Green 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.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

The *Cherry Meadows Road Special Assessment Fund* accounts for the acquisition and construction of the government's major capital projects related to Cherry Meadows Road.

The Charter Township of Green reports the following major proprietary fund:

The *Sewer Fund* operates the Township's sewage pumping station, collection systems and pays the City of Big Rapids for sewer treatment.

Additionally, the Charter Township of Green reports the following fiduciary fund:

The *custodial fund* accounts for property taxes collected by the Township on behalf of other governmental units as well as the Township's General Fund.

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

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

E. 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.

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 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

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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. 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.

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. 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 resource (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, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources focus and the accrual basis of accounting. The custodial fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of Accounting

- Prior to April 1, the Township Supervisor submits to the Township Board a proposed operating budget for all governmental funds for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- The Township Board holds a public hearing and adopts a resolution approving the budgets.
- All transfers of budget amounts between functions within the General Fund and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
- Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
- Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year-end. Budgeted amounts are as originally adopted, or as amended by the Township Board from time to time throughout the year.
- Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

necessary to assure effective budgetary control or to facilitate effective cash planning and control.

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

1. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The government considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

2. Investments

The Township's investment policy is in compliance with state law and authorizes the Township to invest in passbook savings accounts, negotiable and nonnegotiable certificates of deposit, repurchase agreements backed by the United States government or federal agency obligations, United States Treasury bills and bonds, bankers' acceptances, federal agency instruments, money market funds and commercial paper. Some investments authorized by state law are shown as cash on the financial statements.

3. Inventories and Prepaid Items

Inventories are recorded as expenditures when purchased.

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.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

Property, plant, and equipment of the primary government, as well as the component unit are depreciated using the straight-line method over the following estimated useful lives:

| <u>ASSETS</u> | <u>YEARS</u> |
|------------------------------|--------------|
| Buildings and Improvements | 20-50 |
| Land Improvements | 20 |
| Machinery and Equipment | 5-10 |
| Public Domain Infrastructure | 50 |
| System Infrastructure | 50 |

5. *Deferred Outflows/Inflows of Resources*

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has one item that fits this criteria, unavailable revenue from special assessments. This deferred inflow of resources is only recognized on the modified accrual basis of accounting and therefore is only reported in the fund financial statements.

6. *Unearned Revenue*

Unearned revenue arises when resources are received by the Township before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The Township does not have unearned revenue.

7. *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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. *Fund Balance Flow Assumption*

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

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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 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.

9. *Fund Balance Policies*

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The 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.

10. *Use of Estimates*

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

H. Revenues and Expenditures/Expenses

1. *Program Revenues*

Amounts reported as program revenue 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

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. *Property Taxes*

Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes, school taxes and county taxes are levied and due July 1 and become delinquent after September 14. The remaining millages are levied and due December 1 and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations.

The 2020 taxable valuation of Charter Township of Green totaled \$88,108,448 on which ad valorem taxes levied consisted of 1.2343 mills for general operating purposes. This levy raised approximately \$108,500 for operating purposes.

3. *Proprietary Funds Operating and Nonoperating Revenues and Expenses*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for services. Operating expenses for enterprise funds include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Violations of Legal or Contractual Provisions*

As of March 31, 2021, the Township had a deficit fund balance in the Cherry Meadows Road Special Assessment Fund, which is a violation of state law. The deficit was caused by the Township paying for road work, which is being paid back through a special assessment.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. *Cash Deposits with Financial Institutions*

The Township's deposits are held by Chemical, Huntington, and Lake Osceola State banks.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2021, \$175,716 of the Township's bank balance of \$1,049,994 was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the Township's funds. Although the Township's investment policy does not directly address custodial credit risk, it typically limits its exposure by controlling who holds the Township's deposits.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

Interest rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

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

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Fair Market Value Disclosure - The Township is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The Township does not have any investments that are subject to fair value disclosure.

The carrying amount of deposits is as follows:

| | |
|------------|--------------|
| | Total |
| Petty Cash | \$ 50 |
| Deposits | 1,043,030 |
| | \$ 1,043,080 |

The above amounts are reported in the financial statements as follows:

| | |
|---|--------------|
| | Total |
| Cash - Governmental Funds | \$ 560,869 |
| Cash and Cash Equivalents - Proprietary Funds | 482,211 |
| | \$ 1,043,080 |

B. Receivables

Receivables as of year-end for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

| | General | Cherry Meadows Road Special Assessment | Sewer | Total |
|--------------------|-----------|--|----------|-----------|
| Receivables | | | | |
| Accounts | \$ 3,554 | \$ 0 | \$ 5,233 | \$ 8,787 |
| Taxes | 7,141 | 0 | 0 | 7,141 |
| Special Assessment | 0 | 9,308 | 0 | 9,308 |
| Intergovernmental | 49,530 | 0 | 0 | 49,530 |
| Total Receivables | \$ 60,225 | \$ 9,308 | \$ 5,233 | \$ 74,766 |

Amounts due from other governments include amounts consisting primarily of state-shared revenues.

By ordinance, the Township can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

C. Capital Assets

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-------------|-----------|-------------------|
| <u>Governmental activities</u> | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 106,765 | \$ 0 | \$ 0 | \$ 106,765 |
| Capital assets, being depreciated | | | | |
| Buildings and Improvements | 505,809 | 5,510 | 0 | 511,319 |
| Infrastructure | 632,179 | 39,928 | 0 | 672,107 |
| Furniture and Equipment | 37,328 | 0 | 0 | 37,328 |
| Total capital assets, being depreciated | 1,175,316 | 45,438 | 0 | 1,220,754 |
| Less accumulated depreciation for: | | | | |
| Buildings and Improvements | 299,745 | 17,419 | 0 | 317,164 |
| Infrastructure | 57,349 | 16,304 | 0 | 73,653 |
| Furniture and Equipment | 35,858 | 2,003 | 0 | 37,861 |
| Total accumulated depreciation | 392,952 | 35,726 | 0 | 428,678 |
| Total capital assets, being depreciated, net | 782,364 | 9,712 | 0 | 792,076 |
| Governmental activities capital assets, net | \$ 889,129 | \$ 9,712 | \$ 0 | \$ 898,841 |
| <u>Business-type activities</u> | | | | |
| Capital assets, being depreciated | | | | |
| Plant and System | \$ 1,329,701 | \$ 0 | \$ 0 | \$ 1,329,701 |
| Equipment | 19,422 | 0 | 0 | 19,422 |
| Total capital assets, being depreciated | 1,349,123 | 0 | 0 | 1,349,123 |
| Less accumulated depreciation for: | | | | |
| Plant and System | 794,653 | 21,582 | 0 | 816,235 |
| Equipment | 10,657 | 1,195 | 0 | 11,852 |
| Total accumulated depreciation | 805,310 | 22,777 | 0 | 828,087 |
| Business-type activities capital assets, net | \$ 543,813 | \$ (22,777) | \$ 0 | \$ 521,036 |

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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

| | |
|-------------------------------|-----------|
| Governmental Activities | |
| General Government | \$ 9,865 |
| Public Safety | 1,193 |
| Public Works | 15,111 |
| Recreation and Culture | 9,557 |
| Total Governmental Activities | \$ 35,726 |
| Business-Type Activities | |
| Sewer System | \$ 22,777 |

D. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund Receivable and Payable balances as of March 31, 2021, were:

| Receivable Fund | Payable Fund | Amount |
|-----------------|---|----------|
| General Fund | Cherry Meadows Road Special Assessment Fund | \$ 5,269 |

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at March 31, 2021, are expected to be repaid within one year.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The Township did not have any transfers in the March 31, 2021, fiscal year.

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation).

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

The Township continues to carry commercial insurance for other risks of loss, including general liability, property and casualty, and accident insurance. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

The Township participates in a distinct pool of Governmental Entities within the State of Michigan for workers' disability compensation. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

B. Leases

The Township rents the land for the communication tower from Mecosta County under a 25-year term lease with the option to renew and extend the lease for a second 25-year term. The lease amount is \$1 for the first lease term of 25 years.

The Township rents space in the Township Hall to Internet Services, Inc. In exchange for leasing the space, the tenant provides the Township with internet related services. The length of the lease is five years. The amount of the service exchange is immaterial to the financial statements.

C. Pension Plan

Charter Township of Green contributes to a pension plan called Green Charter Township Group Pension Plan which is a defined contribution plan administered by John Hancock USA Group Pension Services.

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the Township's defined contribution pension plan, the benefits all Board members and full-time employees will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions. Contributions made by the Township and employees vest immediately. The participant will receive benefits upon termination of employment with the Township.

The Plan requires the Township to contribute 20 percent of covered payroll. Employees can make voluntary contributions of 80 percent of their wages. Plan provisions and contribution requirements are established and may be amended by the Board. The Township paid their required annual contribution. For the year, the Township contributed \$21,800 to the plan and employees contributed \$3,840 to the plan. The total covered wages were \$109,000.

D. Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

position of the Township. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

E. Subsequent Events

Subsequent to March 31, 2021, the Township entered into four contracts. The first contract is for a sewer feasibility study in the amount of \$7,800. The second contract is for tree removal in the amount of \$20,000. The third contract is for roadwork in the amount of \$75,625, and the final contract is for window replacements at the Township Hall in the amount of \$7,669. No adjustments were made to the financial statements related to these subsequent events.

CHARTER TOWNSHIP OF GREEN, MECOSTA COUNTY
PARIS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED MARCH 31, 2021

| | GENERAL FUND | | |
|---|--------------------|-----------------|------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL |
| <u>REVENUES</u> | | | |
| Taxes | \$ 119,003 | \$ 119,003 | \$ 123,569 |
| Licenses and Permits | 15,001 | 15,001 | 15,450 |
| State Grants | 285,751 | 285,751 | 300,514 |
| Charges for Services | 9,200 | 9,200 | 13,316 |
| Interest and Rents | 11,025 | 11,025 | 5,719 |
| Other Revenues | 4 | 4 | 15,198 |
| Total Revenues | 439,984 | 439,984 | 473,766 |
| <u>EXPENDITURES</u> | | | |
| General Government | | | |
| Township Board | 55,147 | 52,175 | 44,407 |
| Supervisor | 20,541 | 20,541 | 19,725 |
| Clerk | 51,881 | 51,881 | 50,402 |
| Board of Review | 1,551 | 1,551 | 1,036 |
| Treasurer | 32,055 | 32,055 | 29,227 |
| Assessor | 35,101 | 35,101 | 32,583 |
| Elections | 18,451 | 21,136 | 19,994 |
| Building and Grounds | 64,000 | 64,285 | 39,004 |
| Cemetery | 31,902 | 31,902 | 26,133 |
| Professional | 9,171 | 9,171 | 4,375 |
| Public Safety | | | |
| Communications | 753 | 753 | 0 |
| Fire Protection | 95,001 | 95,001 | 90,589 |
| Public Works | | | |
| Highways, Streets, Bridges | 66,500 | 66,500 | 45,140 |
| Street Lighting | 6,000 | 6,000 | 4,928 |
| Refuse Collection and Disposal | 7,210 | 7,210 | 5,740 |
| Community and Economic Development | | | |
| Planning | 5 | 5 | 0 |
| Recreation and Culture | | | |
| Recreation and Parks | 48,950 | 48,952 | 11,218 |
| Library | 1 | 1 | 0 |
| Other Functions | | | |
| Employee Benefits | 9,000 | 9,000 | 8,628 |
| Insurance and Bonds | 11,200 | 11,200 | 8,823 |
| Total Expenditures | 564,420 | 564,420 | 441,952 |
| Net Change in Fund Balance | (124,436) | (124,436) | 31,814 |
| <u>FUND BALANCE</u> - Beginning of Year | 124,436 | 124,436 | 592,999 |
| <u>FUND BALANCE</u> - End of Year | \$ 0 | \$ 0 | \$ 624,813 |



Baird, Cotter & Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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June 15, 2021

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

To the Township Board
Charter Township of Green
Mecosta County
Paris, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charter Township of Green for the year ended March 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 18, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Charter Township of Green are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020-2021. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities, the business-type activities, and each major fund of the Township's financial statements was:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We detected various material misstatements as a result of our audit procedures that were corrected by management. The material adjustments made were a result of converting the entity's financial records from cash basis to modified accrual basis of accounting and providing client assistance as the client knew the adjustment was necessary but requested our assistance.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 15, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Charter Township of Green's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Charter Township of Green for the year ended March 31, 2021, we noted the following item which we feel deserves comment:

Condition of Accounting Records and Accounting Controls

We would like to thank the accounting personnel for their efforts in accumulating the information needed for our audit. We encourage you to review your internal and accounting controls on an annual basis to ensure they are adequate and operating as intended.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis and the Budgetary Comparison Schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Township Board and management of the Charter Township of Green and is not intended to be, and should not be, used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.



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CERTIFIED PUBLIC ACCOUNTANTS

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June 15, 2021

COMMUNICATION OF MATERIAL WEAKNESSES

To the Township Board
Charter Township of Green
Mecosta County
Paris, Michigan

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

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

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

1) *Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements*

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

Recommendation: Due to the size and minimal activity, we recommend that the government continue to outsource financial statement preparation.

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

2) *Segregation of Incompatible Duties and Documented Independent Review*

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the government. A key element of internal control is the segregation of incompatible duties.

Condition: The government has several accounting functions that are performed by the same individual.

Cause: This condition is primarily the result of staffing constraints typical of smaller governmental units. Some of the control activities may be occurring on a routine basis, but are not being documented.

Effect: As a result of this condition, the government is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected by management on a timely basis.

Recommendation: There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: Management recognizes that this limitation is a natural outgrowth of the small number of staff, and applies its judgment in determining how best to allocate the government's resources to provide an appropriate balance between sound internal controls and fiscal prudence.

Charter Township of Green's written response to the material weaknesses identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Township Board and others within Charter Township of Green, and is not intended to be, and should not be, used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.