



Township of Gaines
Audited Financial Statements

March 31, 2022

Prepared by Taylor & Morgan, P.C.

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TOWNSHIP OF GAINES

GENESEE COUNTY

STATE OF MICHIGAN

TOWNSHIP BOARD MEMBERS

Paul Fortino
Supervisor

Karen Hawkins
Clerk

Diane Hyrman
Treasurer

Leslie Casto
Trustee

Rocky Fowler
Trustee

TOWNSHIP OF GAINES
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Independent Auditor's Report

September 16, 2022

Township Board
Township of Gaines
Genesee County, Michigan

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplemental Information

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

Sincerely,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Township of Gaines
Management's Discussion and Analysis
For the Year Ended March 31, 2022**

As management of the Township of Gaines (the "Township"), we offer readers this narrative overview and analysis of the financial activities for the fiscal year ended March 31, 2022. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2022.

- Property taxes made up approximately 15 percent of the Township's General Fund revenue. Since 2015, revenue from property taxes has increased 18.4 percent due to increasing property values.
- State-shared revenue (the Township's allocation of state sales tax collections) makes up approximately 60 percent of the Township's General Fund revenue. This revenue has been a stable funding source for the Township for many years and this trend is expected to continue in 2022.
- During the 2021-2022 fiscal year, the Township received \$322,363 from the American Rescue Plan Act of 2021 (ARPA). These funds will be used in future budgets to offset costs associated with water line construction.
- The Township is increasing its General Fund fund balance by \$378,093.

Using this Annual Report

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

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

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities and deferred inflows of resources by \$5,683,074 at the close of the most recent fiscal year.

**Township of Gaines
Management's Discussion and Analysis
For the Year Ended March 31, 2022**

Township's Net Position

The following table shows, in condensed format, the net position of the Governmental Activities as of the current date and compared to the prior year:

	<u>Governmental Activities</u>			
	March 31, <u>2022</u>	March 31, <u>2021</u>	<u>Change</u>	<u>Percent Change</u>
Assets				
Current and other assets:				
Cash and investments:				
Cash and cash equivalents	\$ 2,595,599	\$ 1,661,356	\$ 934,243	5.6 %
Investments	73,024	75,669	(2,645)	(3.5)
Receivables	262,503	513,629	(251,126)	(48.9)
Capital assets (net)	<u>482,471</u>	<u>554,097</u>	<u>(71,626)</u>	(12.9)
Total assets	3,413,597	2,804,751	608,846	21.7
Liabilities				
Current liabilities	<u>322,888</u>	<u>6,083</u>	<u>316,805</u>	5208.0
Total liabilities	322,888	6,083	316,805	5208.0
Deferred Inflows of Resources	<u>53,403</u>	<u>52,722</u>	<u>(681)</u>	(1.3)
Net Position				
Net investment in capital assets	482,471	554,097	(71,626)	(12.9)
Restricted	650,481	625,031	25,450	4.1
Unrestricted	<u>1,904,354</u>	<u>1,566,818</u>	<u>337,536</u>	21.7
Total net position	<u>\$ 3,037,306</u>	<u>\$ 2,745,946</u>	<u>\$ 291,360</u>	10.6 %

**Township of Gains
Management's Discussion and Analysis
For the Year Ended March 31, 2022**

Business-type Activities – Water and Waste Funds

	March 31, <u>2022</u>	March 31, <u>2021</u>	<u>Change</u>	<u>Percent Change</u>
Assets				
Current and other assets:				
Cash and investments:				
Cash and cash equivalents	\$ 403,803	\$ 577,084	\$ (173,281)	(30.0)%
Investments	1,140,310	932,972	207,338	22.2
Receivables	41,392	50,989	(9,597)	(18.8)
Capital assets (net)	<u>1,168,997</u>	<u>1,191,892</u>	<u>(22,895)</u>	(1.9)
Total assets	2,754,502	2,752,937	1,565	0.1
Liabilities				
Current liabilities	<u>108,734</u>	<u>108,770</u>	<u>(36)</u>	(0.3)
Total liabilities	108,734	108,770	(36)	(0.3)
Net Position				
Net investment in capital assets	1,168,997	1,191,892	(22,895)	(1.9)
Unrestricted	<u>1,476,771</u>	<u>1,451,275</u>	<u>25,496</u>	1.8
Total net position	<u>\$ 2,645,768</u>	<u>\$ 2,643,167</u>	<u>\$ 2,601</u>	0.1%

Total governmental net position increased 10.6 percent from a year ago – increasing from \$2,745,946 to \$3,037,306.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased \$337,536 for the governmental activities. This represents an increase of approximately 22 percent. The current level of unrestricted net position for our governmental activities stands at \$1,904,354, or about 158 percent of expenditures.

The Township's business-type activities consist of the Water and Waste Funds. Both water and sewage services are purchased from Genesee County, Michigan.

The net position of business-type activities increased 0.1 percent from a year ago - increasing from \$2,643,167 to \$2,645,768.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased \$25,496 for the Water and Waste Funds. This represents an increase of 1.8 percent. The current level of unrestricted net position for the Water and Waste Funds is \$1,476,771.

**Township of Gaines
Management's Discussion and Analysis
For the Year Ended March 31, 2022**

Township's Changes in Net Position

	<u>Governmental Activities</u>			
	March 31, <u>2022</u>	March 31, <u>2021</u>	<u>Change</u>	<u>Percent Change</u>
Revenue				
Program revenue:				
Charges for services	\$ 433,268	\$ 371,032	\$ 62,236	16.8%
Operating grants	11,298	41,028	(29,730)	(72.5)
Capital grants	-	9,200	(9,200)	(100.0)
General revenue:				
Taxes	296,168	308,101	28,067	9.1
Intergovernmental	677,310	573,965	103,315	18.0
Investment earnings	1,081	1,127	(46)	(4.1)
Other revenue	<u>80,446</u>	<u>69,375</u>	<u>11,071</u>	16.0
Total revenue	1,499,571	1,373,828	125,743	9.2
Expenses				
General government	283,577	299,141	(15,564)	(5.2)
Public safety	219,114	403,849	(184,735)	(45.7)
Public works	699,511	696,337	3,174	0.5
Other	<u>6,009</u>	<u>2,023</u>	<u>3,986</u>	197.0
Total expenses	<u>1,208,211</u>	<u>1,401,350</u>	<u>(193,139)</u>	(13.8)
Change in Net Position	<u>\$ 291,360</u>	<u>\$ (27,522)</u>	<u>\$ 318,882</u>	1157.4%

Business-type Activities – Water and Waste Funds

	March 31, <u>2022</u>	March 31, <u>2021</u>	<u>Change</u>	<u>Percent Change</u>
Revenue				
Program revenue:				
Charges for services	\$ 568,390	\$ 566,336	\$ 2,054	0.4%
General revenue:				
Investment earnings	<u>(41,229)</u>	<u>10,861</u>	<u>(52,090)</u>	(479.6)
Total revenue	527,161	577,197	(50,036)	(8.7)
Expenses	<u>524,560</u>	<u>527,157</u>	<u>(2,597)</u>	(0.5)
Change in Net Position	<u>\$ 2,601</u>	<u>\$ 50,040</u>	<u>\$ (47,439)</u>	(94.8)%

The Township's total governmental revenue had an 9.2 percent increase of \$125,743. A major contributing factor to this increase is the increase in State Revenue Sharing of \$95,701.

Expenditures decreased \$193,139 during the year. This decrease is attributed to the elimination of the police department in July 2021 and overall prudent spending in all departments.

**Township of Gaines
Management's Discussion and Analysis
For the Year Ended March 31, 2022**

The Township's business-type activities experienced a decrease in total revenue of 8.7%. This was due to a market value decline on the bonds held by the Water and Waste funds.

The Township of Gaines' Funds

Our analysis of the Township's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about individual funds, not the Township as a whole. The Township's major funds consist of the General Fund, Waste and Refuse Fund, Capital Projects Fund, and Water and Waste Funds.

For the year ended March 31, 2022, governmental funds revenue exceeded its expenditures, increasing fund balance by \$389,815. This increase was a combination of a \$378,093 increase in the General Fund, a \$9,116 decrease in the Waste and Refuse Fund, and a \$16,334 increase in the Capital Projects Fund. The increase in the General Fund was due to increases in revenue from State Shared Revenue, decreases in expenditures from the elimination of the police department and overall prudent budgeting and spending.

General Fund Budgetary Highlights

General Fund actual revenue of \$1,137,928 exceeded budgeted revenue of \$966,020 by \$171,908. This variance is attributed to an overall conservative approach to the budgeted revenue line items.

General Fund actual expenditures of \$759,835 were less than budgeted expenditures of \$965,646 by \$205,811. This favorable budget variance was due to overall conservative spending habits in all of the departments.

Capital Assets and Debt Administration

At the end of fiscal year 2022, the Township had \$482,471 in governmental activities and \$1,168,997 in business-type activities for a total \$1,651,468 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines (see Note 9). In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan Law, which makes these roads the property of the Genesee County Road Commission (along with the responsibility to maintain them).

The Township does not currently have any long-term debt.

Economic Factors and Next Year's Budgets and Rates

The Township approved a budget deficit of \$4,626 for the year ending March 31, 2023 with revenues totaling \$961,020 and expenditures of \$965,646.

Contacting the Township of Gaines Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township of Gaines' finances, and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at the Township Hall.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF GAINES
GOVERNMENT-WIDE STATEMENT OF NET POSITION
MARCH 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,595,599	\$ 522,213	\$ 3,117,812
Investments	73,024	1,021,900	1,094,924
Due from other funds	119,610	-	119,610
Receivables, net of allowance for uncollectible accts	142,893	41,392	184,285
Capital assets, net of accumulated depreciation	482,471	1,168,997	1,651,468
Total assets	3,413,597	2,754,502	6,168,099
Liabilities			
Accounts payable	525	2,902	3,427
Unearned revenue	322,363	-	322,363
Due to other funds	-	105,832	105,832
Total liabilities	322,888	108,734	431,622
Deferred inflow of resources			
Property taxes levied for the following year	53,403	-	53,403
Total deferred inflow of resources	53,403	-	53,403
Invested in capital assets, net of related debt	482,471	1,168,997	1,651,468
Restricted for Waste and Refuse	369,829	-	369,829
Restricted for Capital Projects	280,652	-	280,652
Unrestricted	1,904,354	1,476,771	3,381,125
Total net position	\$ 3,037,306	\$ 2,645,768	\$ 5,683,074

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

TOWNSHIP OF GAINES
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2022

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Functions/Programs:							
Primary government							
General government	\$ 289,391	\$ 53,828	\$ -	\$ -	\$ (235,563)	\$ -	\$ (235,563)
Public safety	219,114	-	-	11,298	(207,816)	-	(207,816)
Public works	693,697	379,440	-	-	(314,257)	-	(314,257)
Other	6,009	-	-	-	(6,009)	-	(6,009)
Total governmental activities	1,208,211	433,268	-	11,298	(763,645)	-	(763,645)
Business-type activities							
Water and waste	524,560	568,390	-	-	-	43,830	43,830
Total primary government	\$ 1,732,771	\$ 1,001,658	\$ -	\$ 11,298	(763,645)	43,830	(719,815)
General revenues							
Property tax					240,570	-	240,570
Special assessments					55,598	-	55,598
State-shared revenues					677,310	-	677,310
Investment earnings					1,081	(41,229)	(40,148)
Franchise fees					39,720	-	39,720
Miscellaneous					40,726	-	40,726
Total general revenues					1,055,005	(41,229)	1,013,776
Change in net position					291,360	2,601	293,961
Net position - beginning of year					2,745,946	2,643,167	5,389,113
Net position - end of year					\$ 3,037,306	\$ 2,645,768	\$ 5,683,074

**TOWNSHIP OF GAINES
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2022**

	General	Special Revenue Waste and Refuse Fund	Capital Projects	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 1,945,118	\$ 369,829	\$ 280,652	\$ 2,595,599
Investments	73,024	-	-	73,024
Receivables				
Accounts receivable	9,263	-	-	9,263
Delinquent taxes	7,646	21,004	1,323	29,973
Due from other funds	119,610	-	-	119,610
Due from other governments	103,657	-	-	103,657
	<u>2,258,318</u>	<u>390,833</u>	<u>281,975</u>	<u>2,931,126</u>
Total assets	<u>\$ 2,258,318</u>	<u>\$ 390,833</u>	<u>\$ 281,975</u>	<u>\$ 2,931,126</u>
<u>Liabilities</u>				
Accounts payable	\$ 525	\$ -	\$ -	\$ 525
Unearned revenue	322,363	-	-	322,363
	<u>322,888</u>	<u>-</u>	<u>-</u>	<u>322,888</u>
Total liabilities	322,888	-	-	322,888
<u>Deferred Inflow of Resources</u>				
Property taxes levied for following year	53,403	-	-	53,403
Unavailable revenue	7,646	21,004	1,323	29,973
	<u>61,049</u>	<u>21,004</u>	<u>1,323</u>	<u>83,376</u>
Total deferred inflow of resources	61,049	21,004	1,323	83,376
<u>Fund Equity</u>				
Restricted for Waste and Refuse	-	369,829	-	369,829
Restricted for Capital Projects	-	-	280,652	280,652
Assigned	418,568	-	-	418,568
Unassigned	1,455,813	-	-	1,455,813
	<u>1,874,381</u>	<u>369,829</u>	<u>280,652</u>	<u>2,524,862</u>
Total fund equity	1,874,381	369,829	280,652	2,524,862
Total liabilities and fund equity	<u>\$ 2,258,318</u>	<u>\$ 390,833</u>	<u>\$ 281,975</u>	<u>\$ 2,931,126</u>

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

TOWNSHIP OF GAINES
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
MARCH 31, 2022

Total governmental fund balances		\$	2,524,862
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
Cost of capital assets		\$	2,064,245
Accumulated depreciation			<u>(1,581,774)</u>
			482,471
Revenue for delinquent taxes collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds.			
			<u>29,973</u>
Total net position - governmental activities		\$	<u><u>3,037,306</u></u>

TOWNSHIP OF GAINES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2022

	General	Special Revenue Waste and Refuse Fund	Capital Projects	Total Governmental Funds
Revenues				
Taxes	\$ 180,373	\$ -	\$ -	\$ 180,373
Special assessments	57,999	379,440	22,557	459,996
Fees and permits	93,548	-	-	93,548
Intergovernmental	677,310	-	-	677,310
Administrative services	75,796	-	-	75,796
Grant income	1,298	-	-	1,298
Fire contract	10,000	-	-	10,000
Interest	1,028	26	27	1,081
Miscellaneous	40,576	150	-	40,726
Total revenues	<u>1,137,928</u>	<u>379,616</u>	<u>22,584</u>	<u>1,540,128</u>
Expenditures				
General government	275,131	-	-	275,131
Public works	316,947	370,500	6,250	693,697
Fire protection	154,247	-	-	154,247
Police protection	7,501	-	-	7,501
Other	6,009	-	-	6,009
Total expenditures	<u>759,835</u>	<u>370,500</u>	<u>6,250</u>	<u>1,136,585</u>
Excess/(deficiency) of revenues ove/(under) expenditures	378,093	9,116	16,334	403,543
Fund balance - beginning of year	<u>1,496,288</u>	<u>360,713</u>	<u>264,318</u>	<u>2,121,319</u>
Fund balance - end of year	<u>\$ 1,874,381</u>	<u>\$ 369,829</u>	<u>\$ 280,652</u>	<u>\$ 2,524,862</u>

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

TOWNSHIP OF GAINES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2022

Total net change in fund balances - governmental funds \$ 403,543

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	\$ 5,610	
Depreciation expense	<u>(77,236)</u>	(71,626)

Governmental funds report payments received on special assessment districts as revenue when received. However, in the statement of activities, these revenues are recorded when they are earned. (24,958)

Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end. (15,599)

Change in net position of governmental activities \$ 291,360

TOWNSHIP OF GAINES
STATEMENT OF NET POSITION
PROPRIETARY FUNDS-WATER AND WASTE FUNDS
MARCH 31, 2022

	<u>Usage</u>	<u>Tap in</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 382,731	\$ 139,482	\$ 522,213
Investments	481,529	540,371	1,021,900
Accounts receivable	41,392	-	41,392
Property and equipment - net	<u>-</u>	<u>1,168,997</u>	<u>1,168,997</u>
Total assets	905,652	1,848,850	2,754,502
<u>Liabilities</u>			
Accounts payable	2,902	-	2,902
Due to other funds	<u>105,832</u>	<u>-</u>	<u>105,832</u>
Total liabilities	108,734	-	108,734
<u>Net Position</u>			
Invested in capital assets	-	1,168,997	1,168,997
Unassigned	<u>796,918</u>	<u>679,853</u>	<u>1,476,771</u>
Total net position	<u>\$ 796,918</u>	<u>\$ 1,848,850</u>	<u>\$ 2,645,768</u>

TOWNSHIP OF GAINES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS-WATER AND WASTE FUNDS
FOR THE YEAR ENDED MARCH 31, 2022

	<u>Usage</u>	<u>Tap in</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 561,790	\$ 6,600	\$ 568,390
Total operating revenues	561,790	6,600	568,390
Operating expenses			
Depreciation	-	22,895	22,895
Pump maintenance	36,784	-	36,784
County sewer charges	128,272	-	128,272
County water charges	328,980	-	328,980
Other fees	7,629	-	7,629
Total operating expenses	501,665	22,895	524,560
Operating income/(loss)	60,125	(16,295)	43,830
Non-operating revenues/(expenses)			
Unrealized gains/(losses)	(24,081)	(27,023)	(51,104)
Interest income	4,652	5,223	9,875
Total non-operating revenues/(expenses)	(19,429)	(21,800)	(41,229)
Change in net position	40,696	(38,095)	2,601
Net position - beginning of year	756,222	1,886,945	2,643,167
Net position - end of year	\$ 796,918	\$ 1,848,850	\$ 2,645,768

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

**TOWNSHIP OF GAINES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS-WATER AND WASTE FUND
FOR THE YEAR ENDED MARCH 31, 2022**

	<u>Usage</u>	<u>Tap in</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 571,387	\$ 6,600	\$ 577,987
Payments to suppliers	<u>(501,701)</u>	<u>-</u>	<u>(501,701)</u>
Net cash provided/(used) by operating activities	69,686	6,600	76,286
CASH FLOWS FROM INVESTING ACTIVITIES			
Sales/(purchases) of investments	(66,864)	(74,047)	(140,911)
Interest received	<u>5,531</u>	<u>5,223</u>	<u>10,754</u>
Net cash provided/(used) by investing activities	<u>(61,333)</u>	<u>(68,824)</u>	<u>(130,157)</u>
Net increase/(decrease) in cash and cash equivalents	8,353	(62,224)	(53,871)
Cash and cash equivalents - beginning of year	<u>374,378</u>	<u>201,706</u>	<u>576,084</u>
Cash and cash equivalents - end of year	<u>\$ 382,731</u>	<u>\$ 139,482</u>	<u>\$ 522,213</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities			
Operating income/(loss)	\$ 60,125	\$ (16,295)	\$ 43,830
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities:			
Depreciation expense	-	22,895	22,895
Decrease/(Increase) in accounts receivable	9,597	-	9,597
(Decrease)/Increase in accounts payable	<u>(36)</u>	<u>-</u>	<u>(36)</u>
Net cash provided/(used) by operating activities	<u>\$ 69,686</u>	<u>\$ 6,600</u>	<u>\$ 76,286</u>

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

**TOWNSHIP OF GAINES
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
MARCH 31, 2022**

	<u>Tax Collection Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ <u>57,142</u>
Total assets	<u>57,142</u>
<u>Liabilities</u>	
Due to other funds	13,778
Due to other governmental units	<u>43,364</u>
Total liabilities	<u>57,142</u>
<u>Net Position</u>	\$ <u><u>-</u></u>

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

**TOWNSHIP OF GAINES
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED MARCH 31, 2022**

	Tax Collection Fund
<u>Additions</u>	
Property tax collections for other governments	\$ 7,347,908
Total additions	7,347,908
 <u>Deductions</u>	
Payments of property tax to other governments	7,347,908
Total deductions	7,347,908
Change in net position	-
Net position-beginning of year	-
Net position-end of year	\$ -

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government." A fundamental characteristic of a primary government is that its members are selected by the people in a general election. In addition to having an elected board, a primary government must be both a legally separate and a fiscally independent entity. Thus, Gaines Township qualifies as the "primary government" for financial reporting purposes. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The basic criterion of financial accountability is: the primary government is accountable for and able to impose its will upon the potential component unit. The Township has no component units.

Fund Accounting

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

Governmental Funds

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

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Waste and Refuse Special Revenue Fund accounts for special assessments that are restricted for sanitation services.
- The Capital Projects Fund accounts for special assessments and other revenue that is restricted for capital asset and infrastructure improvements.

Proprietary Funds

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

- The Water and Waste-Usage Fund accounts for the cost of collection and treating of waste waters.
- The Water and Waste-Tap In Fund accounts for tap in fees received, depreciation of water and sewer lines and payments of bonded debt.

TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)

Fiduciary Funds

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

- The Tax Collection Fund, which collects taxes on behalf of all the taxing authorities (State, County, School District, Township, and the other various smaller authorities) and remits the taxes to each authority.

Basis of Accounting

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

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, capital-type special assessments will be collected over a 5-year period; receivables have been recorded for these, along with a "deferred inflow of resources".

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

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 Water and Waste Funds are charges to customers for sales and services. The Township also recognizes as operating revenue the portion of tap in fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Water and Waste Funds include the cost of sales and services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)

Interfund Activity

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 balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

Report Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)

Property tax revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. Unpaid property taxes become a lien on the property on March 1 of the second year following the year of the levy.

The Township's 2021 ad valorem tax is levied and collectible on December 1, 2021, and is recognized as revenue in the year ended March 31, 2022, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2021 taxable valuation of the Gaines Township is \$208,296,009, on which the ad valorem tax levy consisted of .8018 mills for operating purposes. This resulted in \$166,645 of revenue, which was recognized in the General Fund.

The township bills and collects its own property taxes and also taxes for the school districts of Swartz Creek, Linden, and Durand, and for Genesee County. Collection on all taxes and remittance of them to the various taxing jurisdictions are accounted for in the tax collection fund. Township property tax revenues are recognized when levied.

Specific Balances and Transactions

Cash and cash equivalents – The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired.

Investments - Certificates of deposit with a maturity date of greater than three months at the time of purchase are recorded as investments on the financial statements. Investments are stated at fair value.

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

Capital assets – Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column 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 one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Land improvements	10 to 20 years
Sewer system	50 to 75 years
Building and building improvements	25 to 40 years
Vehicles	5 to 10 years
Machinery and equipment	5 to 10 years

TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)

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

Deferred Outflows 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 represents a consumption of net position that applies to a future period 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.

Deferred Inflows of Resources-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 represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Township has three types of items that qualify for reporting in this category:

- Unavailable revenue represents special assessments and delinquent taxes not received within sixty days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Unavailable revenue is only reported in the governmental funds balance sheet.
- Property taxes levied for the following year represent special assessments and property taxes collected by the Township prior to year end but are used to fund the future year's operations. Property taxes levied for the following year are reported in the governmental funds and the government-wide statements.

Net Position

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

Net Position Flow Assumption

Sometimes the Township 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.

TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)

Fund Balance Flow Assumption

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total amount 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 assumptions 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. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

In the fund financial statements, governmental funds report the following components of fund balance:

- Non-spendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed: Amounts that have been formally set aside by the Township for use for specific purposes. Commitments are made and can be rescinded only via resolutions of the Township board.
- Assigned: Intent to spend resources on specific purposes expressed by the governing body. Assignments must be authorized by resolution and approved by the governing body. The Township has the following fund equity balances assigned in the General Fund at March 31, 2022:

Fire Equipment Replacement	\$ 88,753
Police Equipment Replacement	24,570
Building and Site Improvements	300,619
Assigned for 2022-2023 Budget	<u>4,626</u>
Total Assigned Fund Equity	<u>\$418,568</u>

- Unassigned: Amounts that do not fall into any other category above. This is the residual classification in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Use of Estimates

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

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)

Upcoming Accounting Pronouncements

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement 91) defines a SBITS as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending March 31, 2023.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit Risk

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At March 31, 2022, the Township had \$2,894,023 of its deposit balances (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Concentration of Credit Risk

The Township places no limit on the amount it may invest in any one issuer.

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 3-FAIR VALUE MEASUREMENT

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

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

As of March 31, 2022 the Township had U.S. Government Bonds of \$233,713 that were valued using a matrix pricing model. Since the inputs to the valuation methodology are other than quoted prices included within Level 1 that are observable for the asset or liability, the investments above held by the Township will be categorized as Level 2 in the fair value measurement hierarchy.

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances as of March 31, 2022 are as follows:

	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
General Fund	\$119,610	\$ -
Tax Collection Fund	-	13,778
Water & Sewer Usage	-	<u>105,832</u>
Total	<u>\$119,610</u>	<u>\$119,610</u>

These balances are the result of transfers made between the General Fund and the Water and Sewer Usage fund and interest earned in the Tax Collection Fund that is owed to the General Fund.

NOTE 5 - DEFERRED INFLOWS OF RESOURCES

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

	Governmental <u>Funds</u>	Governmental <u>Activities</u>
Property taxes levied for the following year	\$ 53,403	\$ 53,403
Unavailable revenue	<u>330,009</u>	-
Total deferred inflows	<u>\$ 383,412</u>	<u>\$ 53,403</u>

TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 6 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for all its insurance needs.

NOTE 7 - PENSION PLAN

The Township has a qualified, contributory defined contribution pension plan covering elected officials and eligible employees. Eligible employees are those who work 40 hours per week on a regular basis. Burnham & Flower Insurance Group administers the plan, which was adopted by the Township board on March 6, 1991. Under the plan, the Township's contribution amounts to 10% of all eligible employees' annual compensation. Compensation is defined as the basic annual rate of pay in effect at the beginning of the plan year. For the year ended March 31, 2022, actual Township contributions totaled \$9,593. Participant plan contributions begin immediately with no waiting period for vesting. The plan is referred to as a money purchase pension plan and is not insured by the Pension Benefit Guaranty Corporation (PBGC).

NOTE 8 - BUILDING AND SIMILAR FEES

Michigan Department of Treasury Local Audit Letter 2000-6 states that local units can retain compliance with P.A. 245 of 1999, Statewide Construction Code Act, by accounting for building department revenues in the General Fund only as long as the local unit's fee structure is not intended to recover the full cost of the enforcing agency, and the local unit has the ability to track the full costs and revenues of this activity without creating a separate fund. The Township of Gaines complies with these provisions, and therefore, the building department activity is recorded in the General Fund.

Building department revenues and expenditures for the year ended March 31, 2022 are as follows:

Revenues	\$44,244
Expenditures	\$31,936

The expenditures listed above include only direct costs for the building department; an allocation for occupancy, insurance and other indirect costs is not included. It is management's opinion that, were the indirect costs included, building department revenues would not recover the full cost of the activity.

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 9 - CAPITAL ASSETS

Summary of capital asset transactions of the primary government:

	Balance <u>April 1, 2021</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>March 31, 2022</u>
Governmental activities				
Land & improvements	\$ 19,775	\$ -	\$ -	\$ 19,775
Buildings & additions	449,558	-	-	449,558
Furniture & equipment	473,580	-	-	473,580
Fire trucks & other vehicles	<u>1,147,704</u>	<u>5,610</u>	<u>31,982</u>	<u>1,121,332</u>
Subtotal	2,090,617	5,610	31,982	2,064,245
Accumulated Depreciation:				
Buildings & additions	298,791	15,787	-	314,578
Furniture & equipment	382,986	13,685	-	396,671
Fire trucks & other vehicles	<u>854,743</u>	<u>47,764</u>	<u>31,982</u>	<u>870,525</u>
Subtotal	<u>1,536,520</u>	<u>77,236</u>	<u>31,982</u>	<u>1,581,774</u>
Governmental activities net capital assets	<u>\$ 554,097</u>	<u>\$ (71,626)</u>	<u>\$ -</u>	<u>\$ 482,471</u>
 Business-type activities				
Water and Sewer system	<u>\$ 1,717,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,717,130</u>
Subtotal	1,717,130	-	-	1,717,130
Accumulated Depreciation:				
Water and Sewer system	<u>525,238</u>	<u>22,895</u>	<u>-</u>	<u>548,133</u>
Subtotal	<u>525,238</u>	<u>22,895</u>	<u>-</u>	<u>548,133</u>
Business-type activities net capital assets	<u>\$ 1,191,892</u>	<u>\$ (22,895)</u>	<u>\$ -</u>	<u>\$ 1,168,997</u>

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

Governmental activities	
General Government	\$ 14,260
Public Safety	<u>62,976</u>
Total governmental activities	<u>\$ 77,236</u>
 Business-type activities	
Sewer	<u>\$ 22,895</u>
Total business-type activities	<u>\$ 22,895</u>

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 10 – SUBSEQUENT EVENTS

Management has reviewed subsequent events through September 16, 2022, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF GAINES
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 165,500	\$ 165,500	\$ 180,373	\$ 14,873
Special assessments	72,800	72,800	57,999	(14,801)
Fees and permits	79,600	79,600	93,548	13,948
Intergovernmental	567,000	572,000	677,310	105,310
Administrative fees	58,000	58,000	75,796	17,796
Grant income	2,620	2,620	1,298	(1,322)
Public service contracts	10,000	10,000	10,000	-
Interest	1,000	1,000	1,028	28
Miscellaneous	4,500	4,500	40,576	36,076
Total revenues	961,020	966,020	1,137,928	171,908
Expenditures				
General government				
Legislative	5,138	5,138	7,197	(2,059)
Supervisor	20,925	20,925	20,911	14
Accounting	12,500	12,500	12,500	-
Clerk	35,925	33,425	22,834	10,591
Board of review	2,275	2,275	1,166	1,109
Treasurer	47,925	47,325	42,416	4,909
Assessing	43,675	43,675	43,417	258
Elections	15,000	11,000	3,044	7,956
Other general government costs	162,895	200,130	121,646	78,484
Public safety				
Police department	25,000	16,750	7,501	9,249
Fire department	189,460	189,460	154,247	35,213
Public works	396,211	374,326	316,947	57,379
Other				
Planning commission	7,100	7,100	4,536	2,564
Zoning board of appeals	1,617	1,617	1,473	144
Total expenditures	965,646	965,646	759,835	205,811
Excess of revenues over (under) expenditures and other financing sources (uses)	(4,626)	374	378,093	377,719
Fund balance - beginning of year	1,496,288	1,496,288	1,496,288	-
Fund balance - end of year	\$ 1,491,662	\$ 1,496,662	\$ 1,874,381	\$ 377,719

**TOWNSHIP OF GAINES
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE-WASTE AND REFUSE FUND
FOR THE YEAR ENDED MARCH 31, 2022**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special Assessments	\$ 320,000	\$ 370,500	\$ 379,440	\$ 8,940
Miscellaneous	150	150	150	-
Interest	100	100	26	(74)
Total revenues	320,250	370,750	379,616	8,866
Expenditures				
Contracted services	320,000	370,500	370,500	-
Total expenditures	320,000	370,500	370,500	-
Net change in fund balances	250	250	9,116	8,866
Fund balance - beginning of year	360,713	360,713	360,713	-
Fund balance - end of year	<u>\$ 360,963</u>	<u>\$ 360,963</u>	<u>\$ 369,829</u>	<u>\$ 8,866</u>

**TOWNSHIP OF GAINES
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
MARCH 31, 2022**

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end, except for approved contracts which are appropriated on a contract (grant) length basis.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

The Township had the following expenditure budget overages:

<u>Budget item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Variance</u>
General Fund-Legislative	\$ 5,138	\$ 7,197	\$ 2,059

Budget overages are primarily related to unexpected costs related to operations.

September 16, 2022

To the Board of Trustees of
The Township of Gaines

We have audited the financial statements of Gaines Township (the Township) as of and for the year ended March 31, 2022 and have issued our report thereon dated September 16, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government 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 9, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Internal Control Related Matters Identified in an Audit

In planning and performing our audit of the financial statements of the Township as of and for the year ended March 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Gaines' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Gaines' internal control. Accordingly, we do not express an opinion on the effectiveness of Township of Gaines' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section 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. Given these limitations, as discussed below, we did identify a certain deficiencies in internal control that we consider to be a 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 noncompliance with a type of compliance requirement of a federal program 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.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the Township's internal control to be a material weaknesses:

Auditor Proposed Adjustments-During the audit, we identified and proposed to Township management several adjustments to the accounting records. While not all of these adjustments were material to the financial statements, the number of adjustments necessary indicates that Township management's system of internal controls did not detect and prevent such errors. Management should examine the adjustments required as a result of the audit and assess the cost-benefit of improving internal control systems to prevent the adjustment in the future. The following adjustments were proposed and recorded by management:

- Adjustment to Taxes Receivable and Deferred Inflows in the General Fund in the amount of \$14,917
- Adjustment for State Revenue Sharing in the General Fund in the amount of \$7,381
- Adjustment to Accounts Payable in the General Fund of \$6,700
- Adjustment for taxes owed to the General Fund from the Tax Fund of \$13,729
- Adjustment for interest income in the General Fund of \$628
- Adjustment for investment losses in the General Fund of \$27,024
- Adjust for Interest income in the Water and Sewer Tap In Fund of \$5,188
- Adjustment for investment losses in the Water and Sewer Tap In Fund of \$27,023
- Adjustment for Depreciation in the Water and Sewer Tap In Fund of \$22,895
- Adjustment for Interest income in the Water and Sewer Usage Fund of \$4,622
- Adjustment for investment losses in the Water and Sewer Usage Fund of \$24,081
- Adjustment to Accounts Receivable in the Water and Sewer Usage Fund of \$11,161
- Adjustment to Accounts Payable in the Water and Sewer Usage Fund of \$2,381
- Adjustment to Taxes Receivable in the Water and Sewer Usage Fund of \$1,565
- Adjustment to Accounts Payable in the Tax Fund of \$19,361
- Adjustment for taxes due to other funds in the Tax Fund of \$13,729

Tax Collection Fund Reconciliations-The Tax Collection Fund is a Fiduciary Fund that collects taxes on behalf of all taxing authorities (State, County, School District, Township, and other various smaller authorities) and remits these collections to each appropriate authority. Taxpayers residing within the Township have until March 1 to remit their tax payments to Gaines Township. After the March 1st deadline, the Township is able to reconcile all tax payments received for the year and disburse all funds collected the previous two weeks. Our current year audit process revealed an ending balance in the tax fund cash account on 3/31/22 of \$57,142, indicating that not all tax collections received during 21-22 were disbursed. Taylor & Morgan began performing reconciliations on each tax run to determine which collection period/s had not been properly disbursed. It was noted that many collections received during the year did not include a reconciliation nor a disbursement of delinquent personal property tax collections. Undisbursed collections totaled \$49,470. We recommend that a reconciliation of tax collections be performed twice a month and all tax collections get disbursed within 10 days of the first and 15th of each month. Furthermore, we recommend an annual reconciliation be performed in March of each year of total tax collections and disbursements.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Gaines Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021-2022. 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 Township's financial statements was the useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no 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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 16, 2022.

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 a certain situation. 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 the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

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

Prior Year Comments and Recommendations

Delinquent Tax Disbursements

State of Michigan guidelines require Township Treasurers to disburse all tax monies collected to the appropriate taxing jurisdictions within 10 business days from the first and fifteenth of each month. Our 2020-2021 audit testing noted that many tax disbursements were not made utilizing this deadline. We recommended that all tax collections be reconciled twice a month and disbursed following this schedule.

During the current audit year, we noted many tax disbursements that were not paid within the required 10 business days from the first and fifteenth of each month. We recommend that all tax disbursements follow this schedule for disbursements.

Employee Files

During our payroll testing, we noted that many of our sampled files did not include all employment forms. Many were missing completed I-9 forms and W-4 forms. We recommended that all employee files be reviewed for completeness and any missing employment forms be completed by the employee.

During the current year audit, we noted many employee files were still missing some required employment forms. We recommend that these files be reviewed and updated if necessary.

Restriction on Use

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

Taylor & Morgan, P.C.

Taylor & Morgan, P.C., CPA's
Flint, MI