

**TOWNSHIP OF OLIVER,
HURON COUNTY, MICHIGAN**

Report on Financial Statements
(with required supplementary information)

Year Ended March 31, 2021

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Jamie L. Peasley, CPA
Angela M. Burnette, CPA

David A. Ondrajka, CPA
Chelsie M. Peruski, CPA
Kendra K. Bednarski, CPA
Bryan M. McShane, CPA

INDEPENDENT AUDITOR'S REPORT

Township of Oliver
Huron County
Elkton, Michigan 48731

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Oliver, State of 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 the 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 Township'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 Township'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, each major fund, and the aggregate remaining fund information of the Township of Oliver, State of Michigan, as of March 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 9 to the financial statements, Township of Oliver implemented Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 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.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

August 4, 2021

TOWNSHIP OF OLIVER, HURON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Township of Oliver, we offer readers of the Township of Oliver's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2021.

FINANCIAL HIGHLIGHTS

Governmental-wide:

- The Township's governmental activities assets exceeded its liabilities at the close of the most recent fiscal year by \$3,871,453 (net position). Of this amount, \$625,775 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's governmental activities total net position increased by \$398,418.

Fund-level:

- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$875,335, an increase of \$383,493 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$482,286, or 557 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required 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 between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the government'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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent personal property taxes).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes, special assessments and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, culture and recreation and other functions.

The government-wide financial statements can be found on pages 9 and 10 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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 several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, road fund, and fire fund, which are considered to be major funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund, road fund, and fire fund in the required supplementary information to demonstrate compliance with budgets.

The basic governmental fund financial statements can be found on pages 11 through 13 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 accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 14 and 15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 26 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's major funds and their respective budgets. Required supplementary information can be found on pages 27 through 29 of this report.

TOWNSHIP OF OLIVER, HURON COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the Township, assets exceeded liabilities by \$3,871,453 at the close of the most recent fiscal year.

A portion of the Township's net position (78 percent) reflects its investment in capital assets (e.g., land, building, machinery, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Township of Oliver's Net Position

| | Governmental Activities | |
|----------------------------------|--------------------------------|----------------------------|
| | March 31, 2021 | March 31, 2019 |
| Current and other assets | \$ 918,991 | \$ 493,844 |
| Capital assets | 2,981,611 | 2,731,703 |
| Total assets | <u>3,900,602</u> | <u>3,225,547</u> |
| | | |
| Current liabilities | <u>4,858</u> | <u>5,642</u> |
| Noncurrent Liabilities | <u>24,291</u> | <u>29,149</u> |
| | | |
| Net position: | | |
| Net investment in capital assets | 2,981,611 | 2,731,703 |
| Restricted for roads | 75,612 | 79,171 |
| Restricted for fire | 188,455 | 53,266 |
| Unrestricted | 625,775 | 326,616 |
| Total net position | <u><u>\$ 3,871,453</u></u> | <u><u>\$ 3,190,756</u></u> |

The government's net position increased by approximately \$398,000 during the current fiscal year, as compared to the \$343,000 increase in the previous audited year. The majority of this difference is due to fire truck insurance proceeds and a subsequent fire truck purchase in the previous audited fiscal year.

At the end of the current fiscal year, the Township is able to report positive fund balances in all funds.

TOWNSHIP OF OLIVER, HURON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities. Governmental activities increased the Township's net position by \$398,418. Key elements of these changes are as follows:

| Township of Oliver's Changes in Net Position | | Governmental Activities | |
|---|---------------------------|--------------------------------|--|
| | March 31, 2021 | March 31, 2019 | |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 19,635 | \$ 16,917 | |
| Operating grants | 496 | - | |
| General revenues: | | | |
| Property Taxes: | | | |
| Levied for all purposes | 659,569 | 621,177 | |
| State sources | 139,043 | 61,745 | |
| Investment earnings | 493 | 712 | |
| Other | 904 | 22,451 | |
| Total revenues | 820,140 | 723,002 | |
| Expenses: | | | |
| Legislative | 5,329 | 5,689 | |
| General government | 73,025 | 91,861 | |
| Public safety | 88,774 | 93,938 | |
| Public works | 26,888 | 5,624 | |
| Recreation and culture | 300 | 1,300 | |
| Interest on long-term debt | 1,078 | 1,263 | |
| Unallocated depreciation | 226,328 | 180,033 | |
| Total expenses | 421,722 | 379,708 | |
| Change in net position | 398,418 | 343,294 | |
| Net position, beginning of year | 3,473,035 | 2,847,462 | |
| Net position, end of year | \$ 3,871,453 | \$ 3,190,756 | |

The key elements of this change from the previous audited year is a result of the previous audited year purchasing a fire truck from insurance proceeds. In addition, total property tax revenue increased from the previous audited year to the current year. Finally, depreciation expense is significantly higher in the current year compared to the previous audited year.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$875,335, an increase of \$383,493 in comparison with the prior year.

The fund balance of the Township's general fund increased by \$156,325 during the current fiscal year.

Budgetary Highlights

The Township reported an original and amended budget of \$207,889 for the general fund revenues. The actual revenues reported by the general fund amounted to \$242,989. State and licenses and permits revenue were higher than expected.

The Township reported an original budget of \$380,282 and an amended budget of \$132,990 for the general fund expenditures and other financing sources. The actual expenditures reported by the general fund amounted to \$86,664. The primary source of the budget to actual variance was lower than expected in building and grounds and planning commission costs.

The road fund's original budget of \$619,500 and an amended budget of \$380,279 revenues and other financing sources. The actual road fund revenues were \$395,716. The variance is due to personal property tax reimbursements received from the state.

The road fund's original budget of \$619,500 and an amended budget of \$250,500. The actual road fund expenses were \$217,553. The variance is due to less road work expenditures than expected.

The fire fund's original budgeted revenues were \$90,276 and amended budgeted revenues were \$142,621. The fire fund's actual revenues amounted to \$137,779.

The fire fund's original and amended budgeted expenditures were \$111,065. The fire fund's actual expenditures were \$88,774. The main difference is due to lower than expected wages, insurance, and capital outlay expenditures.

Capital Assets

The Township's investment in capital assets for its governmental activities as of March 31, 2021 amounted to \$2,981,611 (net of accumulated depreciation). This investment in capital assets includes land, roads, buildings, improvements, furniture, and equipment.

Major capital asset events during the current fiscal year included the following:

Township of Oliver's Capital Assets

| | Governmental Activities | |
|----------------------------|--------------------------------|---------------------------|
| | March 31, 2021 | March 31, 2019 |
| Land | \$ 20,000 | \$ 20,000 |
| Roads | 3,589,266 | 2,920,133 |
| Buildings and improvements | 120,000 | 120,000 |
| Furniture and Equipment | 947,039 | 931,235 |
| Total | <u>4,676,305</u> | <u>3,991,368</u> |
| Accumulated depreciation | (1,694,694) | (1,259,665) |
| Net capital assets | <u>\$ 2,981,611</u> | <u>\$ 2,731,703</u> |

Additional information on the Township's capital assets can be found in Note 3 on page 24 of this report.

Debt Administration

The Township has a drain assessment that is considered long term debt. The outstanding balance was reduced by \$4,858 as a result of principal payments that brought the balance at year end to \$29,149. Additional information on the Township's debt can be found in the notes.

Economic Factors and Next Year's Budgets and Rates

COVID-19 is expected to have an impact on the finances for fiscal year 2022. Tuscola Township's goal is to continually look for the most efficient and effective methods to maintain and enhance the services that are provided to the public. The Township has a conservative and financially prudent budget for the fiscal year 2022, with the uncertainty of COVID-19 that also promotes and funds numerous project objectives.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Hall at 5006 Hoffman St., Elkton, MI 48731.

Basic Financial Statements

TOWNSHIP OF OLIVER, HURON COUNTY
STATEMENT OF NET POSITION
 March 31, 2021

| | GOVERNMENTAL ACTIVITIES |
|---|------------------------------------|
| | |
| <u>ASSETS</u> | |
| Cash and cash equivalents | \$ 694,339 |
| Taxes receivable | 199,327 |
| Due from State of Michigan | 25,325 |
| Capital assets, not being depreciated | 20,000 |
| Capital assets, net of accumulated depreciation | 2,961,611 |
| | |
| TOTAL ASSETS | 3,900,602 |
| | |
| <u>LIABILITIES</u> | |
| Noncurrent liabilities | |
| Due within one year | 4,858 |
| Due in more than one year | 24,291 |
| | 29,149 |
| | |
| TOTAL LIABILITIES | 29,149 |
| | |
| <u>NET POSITION</u> | |
| Net investment in capital assets | 2,981,611 |
| Restricted for roads | 75,612 |
| Restricted for fire | 188,455 |
| Unrestricted | 625,775 |
| | 3,871,453 |
| | |
| TOTAL NET POSITION | \$ 3,871,453 |

See notes to financial statements.

TOWNSHIP OF OLIVER, HURON COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2021

| | <u>Expenses</u> | <u>Program Revenue</u> | | <u>Net (Expense)</u> |
|---------------------------------|------------------|-----------------------------|-------------------------|---|
| | | <u>Charges for Services</u> | <u>Operating Grants</u> | <u>Revenues and Changes in Net Position</u> |
| | | | | <u>Total Governmental Activities</u> |
| Primary Government: | | | | |
| Governmental activities | | | | |
| Legislative | \$ 5,329 | | | \$ (5,329) |
| General government | 73,025 | \$ 1,537 | \$ 496 | (70,992) |
| Public safety | 88,774 | 18,098 | | (70,676) |
| Public works | 26,888 | | | (26,888) |
| Recreation and culture | 300 | | | (300) |
| Interest on long-term debt | 1,078 | | | (1,078) |
| Unallocated depreciation | 226,328 | | | (226,328) |
| Total governmental activities | <u>\$421,722</u> | <u>\$ 19,635</u> | <u>\$ 496</u> | <u>(401,591)</u> |
| General Revenues: | | | | |
| Property taxes | | | | 659,569 |
| State sources | | | | 139,043 |
| Investment earnings | | | | 493 |
| Miscellaneous | | | | 904 |
| Total general revenues | | | | <u>800,009</u> |
| Change in Net Position | | | | 398,418 |
| Net Position, Beginning of Year | | | | <u>3,473,035</u> |
| Net Position, End of Year | | | | <u>\$ 3,871,453</u> |

See notes to financial statements.

TOWNSHIP OF OLIVER, HURON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
 March 31, 2021

| | GENERAL FUND | ROAD FUND | FIRE FUND | TOTAL |
|--|-------------------------|----------------------|----------------------|-------------------------|
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 426,620 | \$ 103,101 | \$ 164,618 | \$ 694,339 |
| Taxes receivable | 40,880 | 126,331 | 32,116 | 199,327 |
| Due from State of Michigan | 25,325 | - | - | 25,325 |
| TOTAL ASSETS | \$ 492,825 | \$ 229,432 | \$ 196,734 | \$ 918,991 |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u> | | | | |
| TOTAL LIABILITIES | \$ - | \$ - | \$ - | \$ - |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property taxes | 10,539 | 24,838 | 8,279 | 43,656 |
| FUND BALANCE: | | | | |
| Restricted | | 75,612 | 188,455 | 264,067 |
| Assigned for subsequent expenditures | | 128,982 | | 128,982 |
| Unassigned | 482,286 | | | 482,286 |
| TOTAL FUND BALANCE | 482,286 | 204,594 | 188,455 | 875,335 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES | \$ 492,825 | \$ 229,432 | \$ 196,734 | \$ 918,991 |
| Total governmental fund balances | | | | \$ 875,335 |
| 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: | | | | |
| Cost of capital assets | | | \$ 4,676,305 | |
| Less accumulated depreciation | | | (1,694,694) | |
| | | | | 2,981,611 |
| Unavailable revenue at March 31, 2021, expected to be collected after June 1, 2021 | | | | |
| Property taxes | | | | 43,656 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds | | | | |
| Long-term debt: drains | | | | (29,149) |
| Net position of governmental activities | | | | \$ 3,871,453 |

See notes to financial statements.

TOWNSHIP OF OLIVER, HURON COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2021

| | <u>GENERAL FUND</u> | <u>ROAD FUND</u> | <u>FIRE FUND</u> | <u>TOTAL</u> |
|----------------------------------|-------------------------|----------------------|----------------------|-------------------|
| REVENUE: | | | | |
| Property taxes | \$ 150,766 | \$ 348,862 | \$ 116,285 | \$ 615,913 |
| State sources | 89,377 | 46,854 | 2,812 | 139,043 |
| Federal grants | 496 | | | 496 |
| Licenses and permits | 1,537 | | | 1,537 |
| Charges for services | - | | 18,098 | 18,098 |
| Interest | 353 | | 140 | 493 |
| Other revenue | 460 | | 444 | 904 |
| TOTAL REVENUE | <u>242,989</u> | <u>395,716</u> | <u>137,779</u> | <u>776,484</u> |
| EXPENDITURES: | | | | |
| Legislative | 5,329 | | | 5,329 |
| General government | 73,025 | | | 73,025 |
| Public safety | - | | 88,774 | 88,774 |
| Public works | 8,010 | 217,553 | | 225,563 |
| Recreation and cultural | 300 | | | 300 |
| TOTAL EXPENDITURES | <u>86,664</u> | <u>217,553</u> | <u>88,774</u> | <u>392,991</u> |
| NET CHANGES IN FUND BALANCES | 156,325 | 178,163 | 49,005 | 383,493 |
| FUND BALANCE - BEGINNING OF YEAR | <u>325,961</u> | <u>26,431</u> | <u>139,450</u> | <u>491,842</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 482,286</u> | <u>\$ 204,594</u> | <u>\$ 188,455</u> | <u>\$ 875,335</u> |

See notes to financial statements.

TOWNSHIP OF OLIVER, HURON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2021

Net change in fund balances - total governmental funds \$383,493

Amounts reported for governmental activities in the statement of 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 | (226,328) |
| Capital outlay | 191,952 |

Revenue is recorded on the accrual method in the statement of activities; in the governmental
funds it is recorded on the modified accrual method and not considered available:

| | |
|---|--------|
| Unavailable revenue - beginning of the year | - |
| Unavailable revenue - end of the year | 43,656 |

Proceeds and repayments of principal on long-term debt are revenues and
expenditures in the governmental funds, but not in the statement of activities

| | |
|----------------------|--------------|
| Principal repayments | <u>5,645</u> |
|----------------------|--------------|

| | |
|---|--------------------------|
| Change in net position of governmental activities | <u><u>\$ 398,418</u></u> |
|---|--------------------------|

TOWNSHIP OF OLIVER, HURON COUNTY
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
MARCH 31, 2021

| | CUSTODIAL TAX COLLECTION FUND |
|---------------------------------|--|
| | |
| <u>ASSETS</u> | |
| Cash | \$ - |
| <u>LIABILITIES</u> | |
| Due to other governmental units | - |
| <u>NET POSITION</u> | |
| Restricted | \$ - |

See notes to financial statements.

TOWNSHIP OF OLIVER, HURON COUNTY
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED MARCH 31, 2021

| | CUSTODIAL TAX COLLECTION FUND |
|--|--|
| | |
| <u>ADDITIONS</u> | |
| Collection of taxes for other governments | \$ 2,972,727 |
| <u>DEDUCTIONS</u> | |
| Payment of taxes collected for other governments | 2,972,727 |
| Net change in fiduciary net position | - |
| <u>NET POSITION</u> | |
| Beginning of year | - |
| End of year | \$ - |

See notes to financial statements.

TOWNSHIP OF OLIVER, HURON COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

Note 1 - Summary of Significant Accounting Policies

The Township of Oliver is governed by an elected board and provides such services as public safety, highways and streets, and sanitation to approximately 1,400 residents. The accompanying financial statements present the financial position and results of operations for the Township.

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 non-fiduciary activities of the primary government. *Governmental activities* are supported by taxes, special assessments and intergovernmental revenues.

B. REPORTING ENTITY:

The Township of Oliver was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is governed by the Township of Oliver Board of Trustees, which has responsibility and control over all activities related to the Township. The financial statements of the Township of Oliver include the accounts of all Township operations. The Township's major operations include fire protection, road maintenance, and general administrative services.

In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) has no component units and accordingly, the Township has not consolidated any entities into its financial statements.

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. Separate financial statements are provided for governmental 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.

D. BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS:

The fund financial statements provide information about the Township's funds. The emphasis of fund financial statements is on the major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

General Fund—The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants, and other intergovernmental revenues.

Road Fund—The Road Fund is a special revenue fund utilized to account for the road tax levy and to pay for road maintenance and construction expenditures.

Fire Fund—The fire fund is a special revenue fund utilized to account for the fire tax levy and to record transactions relative to the fire services provided to the Township.

TOWNSHIP OF OLIVER, HURON COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

Also, the government reports as a fiduciary fund, the *tax collection fund* (custodial fund).

The Fiduciary Fund accounts for assets held by the Township in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements. The custodial tax collection fund consists of assets for the benefit of other governmental units and the Township does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the Township's provision of goods or services to those other governmental units. These funds are used to account for assets that the Township hold for others in an agency capacity (primarily the collection of taxes).

During the course of operations the Township has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

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, they are eliminated in the preparation of the government-wide financial statements.

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 the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The fiduciary funds financial statements are reported using *the economic resources measurement focus* and the *accrual basis of accounting*, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the Township to disburse fiduciary resources.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state revenue sharing, 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 year. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWNSHIP OF OLIVER, HURON COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

F. BUDGETARY INFORMATION:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the General Fund, Fire Fund and Road Fund budgets are legally adopted at the total expenditure level through passage of a Board resolution after a public hearing is held to obtain taxpayer comments. After the budget is adopted, all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
2. Formal budgetary integration is employed as a management control device during the year.
3. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriation unused at March 31 are not carried forward to the following fiscal year.
4. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were appropriately approved by the Township Board as required.

Excess of Expenditures over Appropriations in Budgeted Funds - During the year, the Township of Oliver incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

| Fund/Function | Appropriation | Expenditure | Budget Variance |
|-------------------------|---------------|-------------|-----------------|
| General Fund: Zoning | \$0 | \$450 | \$450 |
| Road Fund: Dust Control | 5,000 | 5,600 | 600 |

G. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/ FUND BALANCE:

1. Cash and Investments

Cash includes amounts in petty cash and demand deposits with original maturities of three months or less from the date of acquisition. Investments include certificates of deposit which are allowed by state statute, as subsequently described. Certificates of deposit are carried at amortized cost which approximates fair value.

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

TOWNSHIP OF OLIVER, HURON COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” and are all current.

Receivables consist primarily of amounts for taxes and customer charges. No allowance for doubtful accounts is considered necessary and credit risk is minimal because of the large number of customers and the authority of the Township to add receivables to the tax rolls which are secured by the underlying property.

3. 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 activity column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated 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.

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

| | |
|----------------------------|--------------|
| Buildings and improvements | 40 Years |
| Roads | 20 Years |
| Furniture and equipment | 5 to 7 Years |

TOWNSHIP OF OLIVER, HURON COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or governmental funds balance sheet 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 has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position or governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Township has one item that qualifies for reporting in this category. It is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received after 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as expenditures in the year in which they incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund Balance Flow Assumptions

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

TOWNSHIP OF OLIVER, HURON COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of the resources for specific purposes. The Township 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 Township's highest level of decision-making authority. The board of trustees is the highest level of decision-making authority for the Township that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

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

9. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

H. REVENUES AND EXPENDITURES/EXPENSES:

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements for a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on July 1 and December 1 and are due in September and February. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district, state education fund and school districts. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year that includes the December 1 levy date. Property taxes receivable relates to delinquent taxes that are unavailable unless collected within 60 days of year end.

The 2020 levy assessed at an adjusted taxable value of \$113,649,816. Delinquent real property taxes are returned to the Country Treasurer for collection. The Township levied millages of 1.2729 for general operating, 3.0000 for roads, and 1.0000 for fire protection, raising an estimated \$144,700, \$341,200, and \$113,700. These amounts are recognized in the respective General Fund, Road Fund, and Fire Fund as tax revenues.

TOWNSHIP OF OLIVER, HURON COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

3. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-reoccurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Note 2 - Cash and Investments

As of March 31, 2021 the Township had no investments as defined by generally accepted accounting principles.

Interest rate risk. In accordance with its investment policy, 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 avoiding the need to sell securities prior to maturity and investing operating funds primarily in short term securities, money market mutual funds or similar public investment pools. Securities shall not normally be sold prior to maturity except to minimize loss of principal; to improve the quality, yield or target duration in the portfolio, or to meet liquidity needs.

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 (NRSROs).

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.

Custodial credit risk- deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2021, \$863,308 of the bank balance of \$1,113,308 was exposed to custodial credit risk because of being uninsured. The carrying amount of the Township's deposits was \$694,339.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township had no investments at March 31, 2021.

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business.

TOWNSHIP OF OLIVER, HURON COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

Fair value measurement. 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 other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Township's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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.

The Township does not have any investments subject to the fair value measurement.

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

The Township's cash and cash equivalents at March 31, 2021 are composed of the following:

| | |
|---------------------------|------------------------------|
| Cash - fiduciary fund | \$ - |
| Cash - governmental funds | <u>694,339</u> |
| Total | <u><u>\$ 694,339</u></u> |

TOWNSHIP OF OLIVER, HURON COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

Note 3 - Capital Assets

Capital asset activity of the Township for the current year was as follows:

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals and Adjustments</u> | <u>Ending Balance</u> |
|---------------------------------------|------------------------------|--------------------|--------------------------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 20,000 | \$ - | \$ - | \$ 20,000 |
| Capital assets being depreciated: | | | | |
| Roads | 3,397,314 | 191,952 | | 3,589,266 |
| Buildings and Improvements | 120,000 | | | 120,000 |
| Furniture and Equipment | 947,039 | | | 947,039 |
| Subtotal | <u>4,464,353</u> | <u>191,952</u> | <u>-</u> | <u>4,656,305</u> |
| Less accumulated depreciation for: | | | | |
| Roads | 618,689 | 174,665 | | 793,354 |
| Buildings and Improvements | 120,000 | | | 120,000 |
| Furniture and Equipment | 729,677 | 51,663 | | 781,340 |
| Subtotal | <u>1,468,366</u> | <u>226,328</u> | <u>-</u> | <u>1,694,694</u> |
| Net capital assets being depreciated | <u>2,995,987</u> | <u>(34,376)</u> | <u>-</u> | <u>2,961,611</u> |
| Governmental activities, net | <u>\$ 3,015,987</u> | <u>\$ (34,376)</u> | <u>\$ -</u> | <u>\$ 2,981,611</u> |

Depreciation expense for the fiscal year ended March 31, 2021 amounted to \$226,328. The Township determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Note 4 – Interfund Receivables, Payables, and Transfers

There were no interfund receivable or payable balances at year end. There were no transfers made during the year ended March 31, 2021.

Note 5 – Commitments and Contingencies

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any losses that may result from the above-described activities. For insured programs, there has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Unemployment Compensation Costs: The Government has elected to be treated as a reimbursing employer for unemployment compensation purposes. Any unemployment benefits paid to Government employees by the Michigan unemployment fund must be reimbursed by the Government on a dollar for dollar basis. The contingent liability for unemployment benefits is not recognized in the accompanying financial statements. The expense is recognized at the time the Government becomes liable to the State of Michigan for unemployment benefits paid.

TOWNSHIP OF OLIVER, HURON COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

Note 6 – Pension Plan

PLAN DESCRIPTION:

The township has instituted a defined contribution pension plan covering all elected officials who choose to belong to the plan. It is administered by Municipal Retirement Systems, Inc. The plan has been adopted under the provisions of 401(a) of the Internal Revenue Code.

A defined contribution pension plan provides pension benefits in return for services 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 a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on the investments of those contributions, and forfeitures of other participants benefits that may be allocated to such participant's account. The plan requires the employer to contribute 7.5% of the participating employee's gross wages, with immediate vesting. In addition, plan certain members are also required to contribute 7.5% of their annual wages to the plan. During the most recent plan year, the township's required and actual contribution is equal to an amount of each employee's annual salary to the plan. During the year ended March 31, 2021 the township contributed \$10,392 to the plan and plan members also contributed \$3,807. Pension expense for the fiscal year ended March 31, 2021 was \$11,272.

Note 7 – Long-Term Debt

During the 2012-2013 fiscal year, the Huron County Drain Commissioner assessed Oliver Township \$6,300 as a Drain-At-Large assessment for the McMullen & Branches Drain and \$68,013 for the Pigeon River Intercounty Drain. The assessment is to be repaid from 2014 through 2026.

| <u>Balance</u> <u>4/1/2020</u> | <u>Changes in Long-Term Debt</u> | | <u>Balance</u> <u>3/31/2021</u> | <u>Due in</u> <u>One Year</u> |
|-----------------------------------|----------------------------------|------------------|------------------------------------|----------------------------------|
| | <u>Additions</u> | <u>Payments</u> | | |
| <u>\$34,794</u> | <u>\$ -</u> | <u>(\$5,645)</u> | <u>\$29,149</u> | <u>\$4,858</u> |

ANNUAL REQUIREMENTS TO AMORTIZE LONG-TERM DEBT
 March 31, 2021

| <u>Year Ending</u> <u>March 31,</u> | <u>General Obligation</u> | |
|--|---------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2022 | \$ 4,858 | \$ 885 |
| 2023 | 4,858 | 738 |
| 2024 | 4,858 | 590 |
| 2025 | 4,858 | 444 |
| 2026 | 4,858 | 295 |
| 2027 | 4,859 | 148 |
| Total | <u>\$ 29,149</u> | <u>\$ 3,100</u> |

TOWNSHIP OF OLIVER, HURON COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

Note 8 – Tax Abatements

INDUSTRIAL FACILITIES EXEMPTION

The Township uses the Industrial Facilities Exemption (PA 198 of 1974) to enter into agreements with local business to construct new industrial facilities or rehabilitate historical facilities. Under the program, the Township grants reduction of 50 percent of the property tax bill for new property (or can freeze taxable values for rehabilitation properties) for up to 12 years.

For the year ended March 31, 2021, the Township's property tax revenue for general, road, and fire operations were reduced by \$57,122 under this program. There were no significant abatements made by other governments that reduced the Township's tax revenue.

Note 9 – New Accounting Standard

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. Oliver Township has one fund that meets the criteria, the *custodial tax collection fund*, which is presented in the statement of fiduciary net position and a statement of changes in fiduciary net position.

Note 10 – Upcoming Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. That Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payments provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use and underlying asset. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

In May 2020, the GASB issued Statement No. 96, *Subscription-based information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription assets – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Township is currently evaluating the impact this standard will have on the financial statements when adopted for the Township's 2024 year end.

Note 11 – Uncertainties

The extent of the impact of COVID-19 on the Township's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the impact on the state economy, taxpayers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Township's financial condition and results of operations is uncertain.

Required Supplementary Information

TOWNSHIP OF OLIVER, HURON COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2021

| | BUDGET | | ACTUAL | VARIANCE WITH FINAL BUDGET |
|--|---------------------------|-------------------------|--------------------------|---------------------------------------|
| | ORIGINAL | FINAL | | |
| REVENUE: | | | | |
| Property taxes | \$ 153,789 | \$ 153,789 | \$ 150,766 | \$ (3,023) |
| State sources | 50,000 | 50,000 | 89,377 | 39,377 |
| Federal grants | - | - | 496 | 496 |
| Licenses and permits | 600 | 600 | 1,537 | 937 |
| Interest | 500 | 500 | 353 | (147) |
| Other revenue | 3,000 | 3,000 | 460 | (2,540) |
| TOTAL REVENUE | 207,889 | 207,889 | 242,989 | 35,100 |
| EXPENDITURES: | | | | |
| Legislative | 8,700 | 8,700 | 5,329 | 3,371 |
| General government | | | | |
| Supervisor | 10,750 | 10,750 | 9,167 | 1,583 |
| Elections | 5,000 | 5,000 | 3,103 | 1,897 |
| Assessor | 16,750 | 16,750 | 14,112 | 2,638 |
| Clerk | 15,600 | 15,600 | 13,867 | 1,733 |
| Board of review | 2,000 | 2,000 | 975 | 1,025 |
| Treasurer | 19,240 | 19,240 | 18,809 | 431 |
| Building & grounds | 15,150 | 15,150 | 2,099 | 13,051 |
| Planning commission | 15,000 | 15,000 | 3,209 | 11,791 |
| Zoning | - | - | 450 | (450) |
| Legal and professional | 5,000 | 5,000 | 2,830 | 2,170 |
| Pension | 8,000 | 8,000 | 4,404 | 3,596 |
| Public works | | | | |
| Drains | 10,000 | 10,000 | 8,010 | 1,990 |
| Recreation and cultural | 1,800 | 1,800 | 300 | 1,500 |
| TOTAL EXPENDITURES | 132,990 | 132,990 | 86,664 | 46,326 |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | 74,899 | 74,899 | 156,325 | 81,426 |
| OTHER FINANCING (USES): | | | | |
| Transfers out | (247,292) | - | - | - |
| NET CHANGE IN FUND BALANCE | <u>\$(172,393)</u> | <u>\$ 74,899</u> | 156,325 | <u>\$ 81,426</u> |
| FUND BALANCE - BEGINNING OF YEAR | | | <u>325,961</u> | |
| FUND BALANCE - END OF YEAR | | | <u><u>\$ 482,286</u></u> | |

TOWNSHIP OF OLIVER, HURON COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
ROAD FUND
YEAR ENDED MARCH 31, 2021

| | <u>BUDGET</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH FINAL BUDGET</u> |
|--|-----------------|-------------------|-------------------|---------------------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| REVENUE: | | | | |
| Property taxes | \$ 362,499 | \$ 362,499 | \$ 348,862 | \$ (13,637) |
| State sources | 17,780 | 17,780 | 46,854 | 29,074 |
| TOTAL REVENUE | <u>380,279</u> | <u>380,279</u> | <u>395,716</u> | <u>15,437</u> |
| EXPENDITURES: | | | | |
| Highways and street expenses | 610,000 | 241,000 | 211,953 | 29,047 |
| Dust control | 5,000 | 5,000 | 5,600 | (600) |
| Brush control | 4,500 | 4,500 | - | 4,500 |
| TOTAL EXPENDITURES | <u>619,500</u> | <u>250,500</u> | <u>217,553</u> | <u>32,947</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | (239,221) | 129,779 | 178,163 | 48,384 |
| OTHER FINANCING SOURCES: | | | | |
| Transfer in | <u>239,221</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ 129,779</u> | 178,163 | <u>\$ 48,384</u> |
| FUND BALANCE - BEGINNING OF YEAR | | | <u>26,431</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 204,594</u> | |

TOWNSHIP OF OLIVER, HURON COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FIRE FUND
YEAR ENDED MARCH 31, 2021

| | BUDGET | | ACTUAL | VARIANCE WITH FINAL BUDGET |
|--|--------------------|------------------|-------------------|---------------------------------------|
| | ORIGINAL | FINAL | | |
| REVENUE: | | | | |
| Property taxes | \$ 60,417 | \$ 120,833 | \$ 116,285 | \$ (4,548) |
| State sources | - | - | 2,812 | 2,812 |
| Fire & ambulance services | 14,688 | 14,688 | 18,098 | 3,410 |
| Interest | 100 | 100 | 140 | 40 |
| Miscellaneous | 7,000 | 7,000 | 444 | (6,556) |
| TOTAL REVENUE | 82,205 | 142,621 | 137,779 | (4,842) |
| EXPENDITURES: | | | | |
| Wages | 45,000 | 45,000 | 37,681 | 7,319 |
| Supplies | 5,000 | 5,000 | 248 | 4,752 |
| Gas and oil | 2,000 | 2,000 | 990 | 1,010 |
| Ambulance services | 7,415 | 7,415 | 7,415 | - |
| Insurance | 20,000 | 20,000 | 18,923 | 1,077 |
| Utilities | 6,500 | 6,500 | 5,030 | 1,470 |
| Repairs and maintenance | 10,000 | 10,000 | 7,770 | 2,230 |
| Pension | 7,000 | 7,000 | 6,868 | 132 |
| Miscellaneous | 650 | 650 | 471 | 179 |
| Travel and conferences | 2,500 | 2,500 | - | 2,500 |
| Capital outlay | 5,000 | 5,000 | 3,378 | 1,622 |
| TOTAL EXPENDITURES | 111,065 | 111,065 | 88,774 | 22,291 |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | (28,860) | 31,556 | 49,005 | 17,449 |
| OTHER FINANCING SOURCES: | | | | |
| Transfer in | 8,071 | - | - | - |
| NET CHANGE IN FUND BALANCE | \$ (20,789) | \$ 31,556 | 49,005 | \$ 17,449 |
| FUND BALANCE - BEGINNING OF YEAR | | | 139,450 | |
| FUND BALANCE - END OF YEAR | | | \$ 188,455 | |



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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Valerie J. Hartel, CPA
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Angela M. Burnette, CPA

David A. Ondrajka, CPA
Chelsie M. Peruski, CPA
Kendra K. Bednarski, CPA
Bryan M. McShane, CPA

To the Members of the Board
Township of Oliver

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Oliver for the year ended March 31, 2021, and have issued our report thereon dated August 4, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

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 the Township of Oliver are described in Note 1 to the financial statements. During the year, the Township implemented Governmental Accounting Standards Board No. 84, *Fiduciary Activities*. The application of existing policies were not changed during the year. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 financial statements was:

Management estimates the useful lives of capital assets. We evaluated the key factors and assumption used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

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. Management has corrected all such misstatements. We proposed adjustments that we consider to be significant and have communicated this to management.

Members of the Board
Page two

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 August 4, 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 governmental unit'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 Required Supplementary Information (RSI), which are required and supplement the basic financial statements. Our procedures consisted of certain 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 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 use of the Members of the Board and management of the Township of Oliver and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants
Caro, Michigan

August 4, 2021



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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To the Members of the Board
Township of Oliver

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Oliver as of and for the year ended March 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Oliver's internal control over financial reporting (internal control) as a basis for designing auditing 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 the Township of Oliver's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Oliver'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 significant deficiencies.

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 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 deficiency in the Township of Oliver's internal control to be a significant deficiency:

Segregation of Duties (repeat comment)

Due to the limited number of people, many critical duties are combined and given to the available employees/board members. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. We recommend the township segregate duties whenever possible.

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

We appreciate the opportunity to be of service to the Township of Oliver and look forward each year to continuing our relationship. The cooperation extended to us by your staff throughout the audit was greatly appreciated. Should you wish to discuss any item included in this letter further, we would be happy to do so.

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants
Caro, Michigan

August 4, 2021