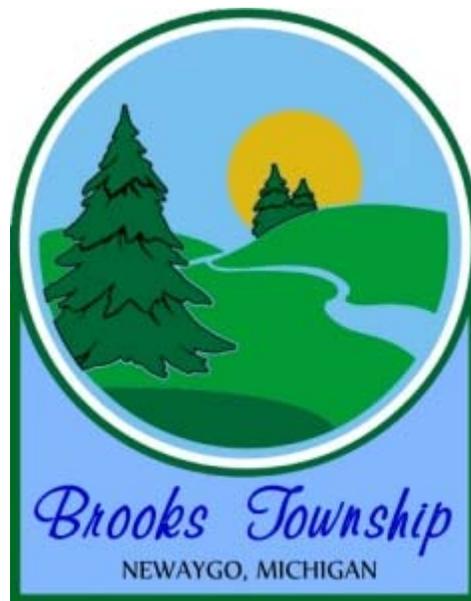


Brooks Township
Newaygo County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

March 31, 2020



Brooks Township

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INDEPENDENT AUDITOR’S REPORT

Township Board
Brooks Township
Newaygo, Michigan

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of Brooks Township, Michigan as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Township’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Township Board
Brooks Township
Page 2

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of Brooks Township, Michigan, as of March 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Muskegon, Michigan
October 29, 2020

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

FINANCIAL HIGHLIGHTS

The Township's General Fund fund balance increased by \$21,941.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all of the Township's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net position changed during the fiscal year. All changes in net position are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

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

Fund Financial Statements.

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

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

Brooks Township maintains one governmental fund, the General Fund.

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

Notes to Financial Statements.

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

Other Information.

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

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide Statement of Net Position for Brooks Township for the last two years. Capital assets increased due to building improvements done during the year exceeding current year depreciation. Current liabilities increased due an increase in accounts payable.

The Township's net position from governmental activities totaled \$2,340,096. In examining the composition of net position, the reader should note that governmental activities includes net position that is invested in capital assets (i.e., buildings, land, office equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The amount of net position invested in capital assets totaled \$1,225,168. The unrestricted net position for governmental-type activities depict a balance of \$1,114,928. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Position

	Governmental Activities	
	2020	2019
Current assets and other assets	\$ 1,127,339	\$ 1,118,764
Capital assets	1,225,168	1,229,543
Total assets	<u>2,352,507</u>	<u>2,348,307</u>
 Current liabilities	 12,411	 <u>22,277</u>
 Net position		
Net investment in capital assets	1,225,168	1,229,543
Unrestricted	1,114,928	1,096,487
Total net position	<u>\$ 2,340,096</u>	<u>\$ 2,326,030</u>

Governmental Activities

Governmental activities net position increased by \$14,066 during the 2020 fiscal year. With all of the Township's governmental operations combined, the net result was that its operating revenue exceeded its operating expenses, resulting in an increase in net position. Charges for services decrease as the prior year had a large zoning and permit fee which was offset by an increase in current year rental income. The Township's largest sources of revenues, state revenue sharing increased when compared to the prior year, while the second largest source of revenues (property taxes), remained about the same. Overall revenues were up in the current year as compared to previous year. General government expenses were up due to an increase in legal fees related to the legalization of cannabis and a refund of the large zoning and permit fee received in the prior year. Public works expenses increased due to an increase in road work.

Change in Net Position

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 125,788	\$ 130,533
General revenues		
Property taxes	110,939	107,148
Franchise fees	43,024	43,413
Grant and contributions not restricted	317,029	304,795
Unrestricted investment earning	13,532	11,253
Miscellaneous	439	1,043
Total revenues	610,751	598,185
Expenses		
General government	304,252	244,024
Public works	262,224	229,219
Community and economic development	29,632	26,470
Culture and recreation	577	4,709
Total expenses	596,685	504,422
Change in net position	14,066	93,763
Net position - Beginning	2,326,030	2,232,267
Net position - Ending	<u>\$ 2,340,096</u>	<u>\$ 2,326,030</u>

Financial Analysis of the Government's Funds

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

The General Fund had an increase in fund balance of \$21,941 mainly due to higher than expected licenses and permit fees and charges for services.

General Fund Budget

During the current fiscal year, the Township made one significant budget amendment to the General Fund budget. The Township increased the budget for the Township board due to higher than expected legal fees and a refund of prior year zoning and permit fee paid.

The Township had variances when comparing actual activities to the final amended budget as follows:

- License and permits were greater than budgeted due to issuing more permits than anticipated.
- Charges for services were higher than expected due to continued high amount of permitting activity in the Township.
- Public works – Roads was under budget due to not completing all planned projects.

Capital Assets

Brooks Township's net investment in capital assets for its governmental activities as of March 31, 2020 totaled \$1,225,168 (net of accumulated depreciation). The Township made one significant capital additions during the year. The Township replaced the furnace and air conditioning unit at the Township hall. The investment in capital assets includes land, land improvements, buildings and furniture and office equipment.

Capital Assets (Net of Accumulated Depreciation)

	<u>2020</u>	<u>2019</u>
Land	\$ 982,959	\$ 982,959
Land improvements	951	1,329
Buildings and improvements	241,258	245,255
Total	<u>\$ 1,225,168</u>	<u>\$ 1,229,543</u>

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

General Economic Overview

The Township's 2020 General Fund budget anticipates a decrease in fund balance of \$224,605 due to anticipated additional road work. The Township expects property tax revenues to continue to increase slightly and for state revenue sharing to decrease due effects of the pandemic.

Requests for Information

This financial report is designed to provide a general overview of Brooks Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Brooks Township, P.O. Box 625, Newaygo, MI 49337, or telephone (231) 652-6763.

Brooks Township
STATEMENT OF NET POSITION
 March 31, 2020

	Governmental Activities	Component Unit Tax Increment Finance Authority
ASSETS		
Current assets		
Cash and investments	\$ 937,713	\$ 6,063
Receivables	9,466	3,526
Due from other governmental units	180,160	-
Total current assets	1,127,339	9,589
Noncurrent assets		
Capital assets, net		
Nondepreciable	982,959	-
Depreciable	242,209	-
Total noncurrent assets	1,225,168	-
Total assets	2,352,507	9,589
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	12,411	78,924
Noncurrent liabilities		
Note payable	-	1,000,000
Total liabilities	12,411	1,078,924
NET POSITION		
Net investment in capital assets	1,225,168	-
Unrestricted	1,114,928	(1,069,335)
Total net position	\$ 2,340,096	\$ (1,069,335)

The accompanying notes are an integral part of this statement.

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Position</u>	
			<u>Primary Government Governmental Activities</u>	<u>Component Unit Tax Increment Finance Authority</u>
Primary government				
Governmental activities				
General government	\$ 304,252	\$ 101,125	\$ (203,127)	\$ -
Public works	262,224	2,872	(259,352)	-
Community and economic development	29,632	21,791	(7,841)	-
Culture and recreation	577	-	(577)	-
Total primary government	\$ 596,685	\$ 125,788	(470,897)	-
Component unit				
Tax Increment Finance Authority				
Community and economic development	\$ 675	\$ -	-	(675)
Interest on debt	32,437	-	-	(32,437)
Total component unit	\$ 33,112	\$ -	-	(33,112)
General revenues				
Property taxes			110,939	30,178
Franchise fees			43,024	-
State shared revenue			317,029	-
Unrestricted investment earnings			13,532	3
Miscellaneous			439	-
Total general revenues			484,963	30,181
Change in net position			14,066	(2,931)
Net position at beginning of year			2,326,030	(1,066,404)
Net position at end of year			\$ 2,340,096	\$ (1,069,335)

The accompanying notes are an integral part of this statement.

Brooks Township
BALANCE SHEET
 Governmental Funds
 March 31, 2020

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 937,713
Property taxes receivable	9,466
Due from other governmental units	<u>180,160</u>
Total assets	<u>\$ 1,127,339</u>
LIABILITIES	
Accounts payable	\$ 2,218
Accrued liabilities	<u>10,193</u>
Total liabilities	12,411
FUND BALANCE	
Subsequent year's budget appropriation of fund balance	224,605
Unassigned	<u>890,323</u>
Total fund balance	<u>1,114,928</u>
Total liabilities and fund balance	<u>\$ 1,127,339</u>

The accompanying notes are an integral part of this statement.

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

Total fund balance—governmental funds	\$ 1,114,928
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Cost of capital assets	\$ 1,363,454	
Accumulated depreciation	<u>(138,286)</u>	<u>1,225,168</u>
Net position of governmental activities		<u><u>\$ 2,340,096</u></u>

The accompanying notes are an integral part of this statement.

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

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 110,939
Licenses and permits	64,265
Intergovernmental revenues	
State	317,029
Local	6,372
Charges for services	101,125
Fines and forfeitures	550
Investment earnings	13,532
Other	439
	<hr/>
Total revenues	614,251
EXPENDITURES	
Current	
General government	274,492
Public works	262,224
Community and economic development	29,632
Culture and recreation	577
Capital outlay	25,385
	<hr/>
Total expenditures	592,310
Net change in fund balance	21,941
Fund balance at beginning of year	1,092,987
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Fund balance at end of year	<u><u>\$ 1,114,928</u></u>

The accompanying notes are an integral part of this statement.

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

Net change in fund balance—total governmental funds \$ 21,941

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

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

Capital outlay	\$ 11,900	
Depreciation expense	<u>(16,275)</u>	(4,375)

Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		<u>(3,500)</u>
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Change in net position of governmental activities		<u><u>\$ 14,066</u></u>
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The accompanying notes are an integral part of this statement.

Brooks Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 Fiduciary Funds
 March 31, 2020

	Tax Account	Trust and Agency	Total
ASSETS			
Cash and investments	\$ 609	\$ 920	\$ 1,529
LIABILITIES			
Due to other governmental units	\$ 609	\$ 920	\$ 1,529

The accompanying notes are an integral part of this statement.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Township is a common law township governed by an elected five-member board. The accompanying financial statements present the Township and its component unit, an entity for which the Township is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township.

Discretely Presented Component Unit

Brooks/Croton Joint Water Resource Improvement Tax Increment Finance Authority (TIFA). The TIFA's purpose is the collection of tax increment revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the TIFA's boundaries. Board members of the TIFA are appointed by Brooks Township and Croton Township, but the TIFA operates as a separate entity. The TIFA can authorize and issue debt independent from the Township. The TIFA is presented as a governmental fund type.

Basis of Presentation—Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component unit for which the primary government is financially accountable. The Township has no business-type activities.

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

As discussed earlier, the Township's discretely presented component unit is reported in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued

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

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

Additionally, the Township reports the following fund type:

The Agency Fund accounts for assets held by the Township on behalf of others in a fiduciary capacity.

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, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

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.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

Cash and Investments

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

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

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

The component unit's cash and investments are maintained within the Township's investment pool.

Prepaid Items

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

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

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

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

<u>Capital Asset Classes</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	20-50
Furniture and equipment	5-10

Deferred Outflows/Inflows of Resources

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

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

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide 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 Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Fund Balance 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.

Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The Township Board or a body or official to which the Township Board has delegated authority to may assign fund balances. The Township Board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues

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

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Property Taxes

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

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

The 2019 state taxable value for real/personal property of the Township totaled approximately \$149,000,000 of which approximately \$807,000 was captured by the component unit. The ad valorem taxes levied consisted of .7444 mills for the Township's operating purposes. This amount is recognized in the General Fund with the captured amount shown in the TIFA.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

Brooks Township
NOTES TO FINANCIAL STATEMENTS
 March 31, 2020

NOTE C—DEPOSITS AND INVESTMENTS

As of March 31, 2020, the Township had the following investments:

Investment Type	Fair value	Weighted Average Maturity (Months)	Moody's	Percent
Money market mutual fund	\$ 4,611	1	not rated	1.77 %
Negotiable certificates of deposit	<u>256,000</u>	29	not rated	<u>98.23</u>
Total fair value	<u>\$ 260,611</u>			<u>100.00 %</u>
Portfolio weighted average maturity		<u>29</u>		

Deposit and Investment Risks

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Township has more than 5 percent of its investments in the following securities:

Security	Percent of Total Investments
Negotiable certificates of deposits - JP Morgan Chase	76.7%
Negotiable certificates of deposits - Main Street Bank	21.5%

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2020, \$180,237 of the Township's bank balance of \$686,301 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks—Continued

Custodial Credit Risk - Investments

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

Foreign Currency Risk

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

NOTE D—FAIR VALUE MEASUREMENTS

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Library has the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
 March 31, 2020

NOTE D—FAIR VALUE MEASUREMENTS—Continued

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at March 31, 2020.

Money market funds: Valued at amortized cost which approximates fair value.

Negotiable certificates of deposit: Valued at the closing price reported on the active market on which the individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the Township’s assets at fair value on a recurring basis as of March 31, 2020:

	Assets at Fair Value as of March 31, 2020		
	Level 1	Level 2	Total
Money market mutual fund	\$ -	\$ 4,611	\$ 4,611
Negotiable certificates of deposit	256,000	-	256,000
Total assets at fair value	\$ 256,000	\$ 4,611	\$ 260,611

Brooks Township
NOTES TO FINANCIAL STATEMENTS
 March 31, 2020

NOTE E—CAPITAL ASSETS

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

	Balance April 1, 2019	Additions	Deductions	Balance March 31, 2020
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 982,959	\$ -	\$ -	\$ 982,959
Capital assets, being depreciated:				
Land improvements	11,311	-	-	11,311
Buildings and improvements	353,833	11,900	10,837	354,896
Furniture and equipment	14,288	-	-	14,288
Total capital assets, being depreciated	379,432	11,900	10,837	380,495
Less accumulated depreciation:				
Land improvements	9,982	378	-	10,360
Buildings and improvements	108,578	15,897	10,837	113,638
Furniture and equipment	14,288	-	-	14,288
Total accumulated depreciation	132,848	16,275	10,837	138,286
Total capital assets, being depreciated, net	246,584	(4,375)	-	242,209
Capital assets, net	\$ 1,229,543	\$ (4,375)	\$ -	\$ 1,225,168

Depreciation

Depreciation expense was charged to the general government function.

NOTE F—NOTE PAYABLE

The TIFA has borrowed \$1,000,000 with an annual interest rate of 3% from a private developer to provide infrastructure in the TIFA's boundaries. Repayment is to be made as the TIFA captures property taxes.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE G—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability and property risk by participating in the Michigan Township Participation Plan (MTPP), a public entity risk pool providing property and liability coverage to its participating members. The Township pays an annual premium to MTPP for its insurance coverage. The MTPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Contingent Liabilities

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

Jointly Governed Entity

The Township is a member of the Chain of Lakes Area Utilities Authority (Authority). The Township appoints two members to the Authority's governing board, which then approves the annual budget. The purpose of the Authority is to acquire, own, construct and operate a sewage collection and treatment system. The Authority is governed by a Board of Trustees containing six members. The participating communities are Brooks, Everett and Garfield townships. The Authority has outstanding debt of approximately \$1,115,000. The aforementioned townships have guaranteed the debt of the Authority in the event that the Authority is unable to make the debt payments. Complete financial statements can be obtained at Chain of Lakes Area Utilities Authority, P.O. Box 456, Newaygo, MI 49349.

The Township has advanced to the Authority \$122,441 as of March 31, 2020. No further loans are expected at this time. The loans are expected to be repaid once the Authority's outstanding bonds have been repaid.

NOTE H—PENSION PLAN

Defined Contribution Pension Plan

The Township contributes to the Brooks Township Group Pension Plan (Plan), a defined contribution pension plan, for substantially all of its full-time employees. The Plan is administered by the Township.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Township Board. For each employee in the Plan, the Township is required to contribute 10 percent of gross earnings. Employees are not required to contribute to the Plan. For the year ended March 31, 2020, the Township recognized pension expense of \$5,696.

Employees are immediately vested for all contributions and earnings on those contributions.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE I—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 52 percent of General Fund revenues.

NOTE J—COMMITMENTS

The Township has entered into agreements with the Newaygo County Road Commission for road projects to be performed and with general contractors for significant repairs and renovations to be made to the Township hall in the summer of 2020. The portion of these costs to be paid by the Township is expected to be approximately \$333,000 and \$150,000, respectively.

NOTE K—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 84—*Fiduciary Activities* was issued by the GASB in January 2017 and will be effective for the Township’s 2021 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement 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.

GASB Statement 87—*Leases* was issued by the GASB in June 2017 and will be effective for the Township’s 2022 fiscal year. The objective of this Statement is to better meet the information needs of financial statements users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

NOTE L—SUBSEQUENT EVENT

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully understand the impact that it will have on the economy and the Township’s operations. As of October 29, 2020, the Township is in the process of implementing risk mitigation tactics including all aspects of the Township’s operations.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 105,000	\$ 105,000	\$ 110,939	\$ 5,939
Licenses and permits	35,200	35,200	64,265	29,065
Intergovernmental revenues				
State	306,044	306,044	317,029	10,985
Local	-	-	6,372	6,372
Charges for services	71,100	71,100	101,125	30,025
Fines and forfeitures	800	800	550	(250)
Investment earnings	6,000	6,000	13,532	7,532
Other	5,000	5,000	439	(4,561)
Total revenues	<u>529,144</u>	<u>529,144</u>	<u>614,251</u>	<u>85,107</u>
EXPENDITURES				
Current				
General government				
Township board	56,610	103,810	101,890	1,920
Supervisor	20,956	20,956	18,570	2,386
Elections	10,235	10,235	7,165	3,070
Board of review	2,015	2,015	1,174	841
Clerk	37,810	37,810	37,257	553
Treasurer	41,620	42,120	41,449	671
Assessor	37,935	37,935	38,048	(113)
Township hall	30,500	30,500	28,939	1,561
Public works				
Infrastructure and projects	70,109	70,109	63,685	6,424
Roads	361,000	361,000	198,539	162,461
Community and economic development				
Planning commission	10,175	10,175	5,565	4,610
Other planning and zoning activities	29,260	29,260	24,067	5,193
Culture and recreation	5,000	5,000	577	4,423
Capital outlay	30,000	30,000	25,385	4,615
Total expenditures	<u>743,225</u>	<u>790,925</u>	<u>592,310</u>	<u>198,615</u>
Net change in fund balance	<u>\$ (214,081)</u>	<u>\$ (261,781)</u>	21,941	<u>\$ 283,722</u>
Fund balance at beginning of year			<u>1,092,987</u>	
Fund balance at end of year			<u>\$ 1,114,928</u>	