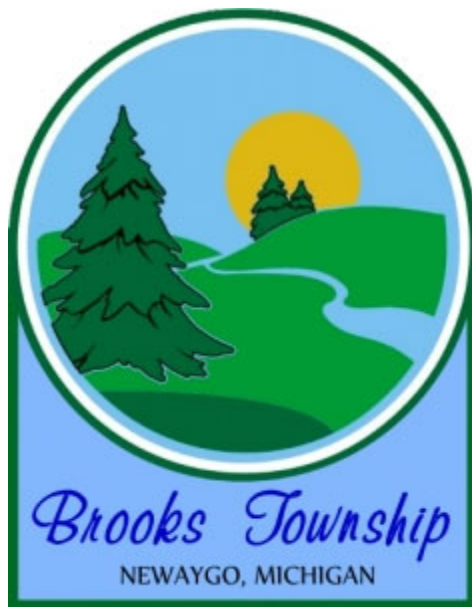


Brooks Township
Newaygo County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

March 31, 2022



Brooks Township

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INDEPENDENT AUDITOR'S REPORT

Township Board
Brooks Township
Newaygo, Michigan

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of Brooks Township, as of March 31, 2022, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Township Board
Brooks Township
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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 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
July 21, 2022

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 the Township for the fiscal year ended March 31, 2022. 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 \$371,181.

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 the 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. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories-governmental funds and fiduciary funds.

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

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

The 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 the Township for the last two years. Current assets and other assets increased due to the sale of a capital asset and receipt of grant funds which were not spent during the year. Capital assets decreased due to depreciation and the sale of a capital asset exceeding current year capital asset additions. Current liabilities increased due to unearned revenue related to a federal grant received that was not fully utilized during the year.

The Township's net position from governmental activities totaled \$2,265,678. 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 \$1,029,204. The unrestricted net position for governmental-type activities depict a balance of \$1,236,474. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Position

	Governmental Activities	
	2022	2021
Current assets and other assets	\$ 1,433,550	\$ 886,389
Capital assets	1,029,204	1,224,022
Total assets	2,462,754	2,110,411
Current liabilities	197,076	21,096
Net position		
Net investment in capital assets	1,029,204	1,224,022
Unrestricted	1,236,474	865,293
Total net position	\$ 2,265,678	\$ 2,089,315

Governmental Activities

Governmental activities net position increased by \$176,363 during the 2022 fiscal year. With all of the Township's governmental operations combined, the net result was that its operating revenues exceeded its operating expenses, resulting in an increase in net position. Grants and contributions not restricted increased due to an increase in shared revenues received from the State of Michigan. Investment earnings decreased due to lower interest rates. Miscellaneous revenues decreased due to a large insurance check received for damages to the Township hall in the prior year. General government expenses decreased to repair and maintenance costs in the prior year related to damage to the Township hall. Public works expenses were lower due to no road projects completed during the year.

Change in Net Position

	Governmental Activities	
	2022	2021
Revenues		
Program revenues		
Charges for services	\$ 99,461	\$ 96,487
Operating grants and contributions	4,515	4,613
General revenues		
Property taxes	117,959	116,280
Franchise fees	43,078	43,533
Grant and contributions not restricted	387,857	312,828
Unrestricted investment earnings (loss)	(3,315)	7,704
Miscellaneous	502	129,238
Total revenues	<u>650,057</u>	<u>710,683</u>
Expenses		
General government	333,829	424,004
Public works	101,385	512,595
Community and economic development	37,793	23,857
Culture and recreation	687	1,008
Total expenses	<u>473,694</u>	<u>961,464</u>
Change in net position	176,363	(250,781)
Net position - Beginning	<u>2,089,315</u>	<u>2,340,096</u>
Net position - Ending	<u><u>\$ 2,265,678</u></u>	<u><u>\$ 2,089,315</u></u>

Financial Analysis of the Government's Funds

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

The General Fund had an increase of \$371,181 mainly due to the lack of road projects for the fiscal year and the sale of capital assets.

Brooks Township

Management's Discussion and Analysis

General Fund Budget

During the current fiscal year, the Township made no significant budget amendments to the General Fund budget.

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

- Intergovernmental revenues – State were over budget due to an unanticipated increase in State of Michigan funding.
- Charges for services were under budget as rental income decreased after the sale of rental property belonging to the Township during the year.
- Public works ended under budget as the Township did not enter into any projects during the year.
- Elections were under budget as it was not an election year and there were no special elections.
- Proceeds from capital assets were over budget due to the sale of real property belonging to the Township during the year.

Capital Assets

The Township's net investment in capital assets for its governmental activities as of March 31, 2022 totaled \$1,029,204 (net of accumulated depreciation). The Township made no significant capital additions during the year. The Township sold real property consisting of land and a warehouse building during the year. The investment in capital assets includes land, land improvements, buildings and furniture and office equipment.

Capital Assets (Net of Accumulated Depreciation)

	<u>2022</u>	<u>2021</u>
Land	\$ 915,759	\$ 982,959
Land improvements	195	573
Buildings and improvements	101,950	226,030
Furniture and equipment	11,300	14,460
Total	<u>\$ 1,029,204</u>	<u>\$ 1,224,022</u>

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

General Economic Overview

The Township's 2022 General Fund budget anticipates a slight increase in fund balance. The Township expects property tax revenues and state revenue sharing to increase slightly. Election expenses are expected to increase from the amount in 2022.

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, 2022

	Governmental Activities	Component Unit Tax Increment Finance Authority
ASSETS		
Current assets		
Cash and investments	\$ 1,222,711	\$ 11,188
Receivables	8,697	-
Due from other governmental units	202,142	-
Total current assets	1,433,550	11,188
Noncurrent assets		
Capital assets, net		
Nondepreciable	915,759	-
Depreciable	113,445	-
Total noncurrent assets	1,029,204	-
Total assets	2,462,754	11,188
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	12,022	68,404
Unearned revenues - expenditure-driven grants	185,054	-
Total current liabilities	197,076	68,404
Noncurrent liabilities		
Note payable	-	1,000,000
Total liabilities	197,076	1,068,404
NET POSITION		
Net investment in capital assets	1,029,204	-
Unrestricted	1,236,474	(1,057,216)
Total net position	\$ 2,265,678	\$ (1,057,216)

The accompanying notes are an integral part of this statement.

Brooks Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2022

<u>Functions/Programs</u>	<u>Program Revenue</u>			<u>Net (Expenses) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary</u>	<u>Component</u>
				<u>Governmental</u>	<u>Unit</u>
			<u>Governmental</u>	<u>Tax Increment</u>	
			<u>Activities</u>	<u>Finance Authority</u>	
Primary government					
Governmental activities					
General government	\$ 333,829	\$ 73,308	\$ -	\$ (260,521)	\$ -
Public works	101,385	10,746	4,515	(86,124)	-
Community and economic development	37,793	15,407	-	(22,386)	-
Culture and recreation	687	-	-	(687)	-
Total primary government	<u>\$ 473,694</u>	<u>\$ 99,461</u>	<u>\$ 4,515</u>	(369,718)	-
Component unit					
Tax Increment Finance Authority					
Community and economic development	\$ 2,550	\$ -	\$ -	-	(2,550)
Interest on debt	32,013	-	-	-	(32,013)
Total component unit	<u>\$ 34,563</u>	<u>\$ -</u>	<u>\$ -</u>	-	(34,563)
General revenues					
Property taxes				117,959	43,293
Franchise fees				43,078	-
State shared revenue				387,857	-
Unrestricted investment earnings (loss)				(3,315)	7
Miscellaneous				502	-
Total general revenues				<u>546,081</u>	<u>43,300</u>
Change in net position				176,363	8,737
Net position at beginning of year				<u>2,089,315</u>	<u>(1,065,953)</u>
Net position at end of year				<u>\$ 2,265,678</u>	<u>\$ (1,057,216)</u>

The accompanying notes are an integral part of this statement.

Brooks Township
BALANCE SHEET
 Governmental Funds
 March 31, 2022

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 1,222,711
Property taxes receivable	8,697
Due from other governmental units	<u>202,142</u>
Total assets	<u>\$ 1,433,550</u>
 LIABILITIES	
Accrued liabilities	\$ 12,022
Unearned revenues - expenditure-driven grants	<u>185,054</u>
Total liabilities	197,076
 FUND BALANCE	
Unassigned	<u>1,236,474</u>
Total liabilities and fund balance	<u>\$ 1,433,550</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, 2022

Total fund balance—governmental funds	\$ 1,236,474
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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	\$ 1,155,994	
Accumulated depreciation	<u>(126,790)</u>	<u>1,029,204</u>

Net position of governmental activities		<u><u>\$ 2,265,678</u></u>
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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, 2022

	General Fund
REVENUES	
Property taxes	\$ 117,959
Licenses and permits	58,050
Intergovernmental revenues	
State	392,372
Local	10,746
Charges for services	73,308
Fines and forfeitures	435
Investment earnings (loss)	(3,315)
Other	502
	650,057
Total revenues	
EXPENDITURES	
Current	
General government	255,638
Public works	101,385
Community and economic development	37,793
Culture and recreation	687
Capital outlay	10,373
	405,876
Total expenditures	
Excess of revenues over (under) expenditures	244,181
OTHER FINANCING SOURCES	
Proceeds from sale of capital assets	127,000
	371,181
Net change in fund balance	
Fund balance at beginning of year	865,293
Fund balance at end of year	\$ 1,236,474

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, 2022

Net change in fund balance—total governmental funds \$ 371,181

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

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

Depreciation expense (67,818)

The net effect of various miscellaneous transactions involving capital assets
 (i.e., sales and donations) on net position.

In the Statement of Activities, only the gain or loss on the sale of capital
 assets is reported. However, in the governmental funds, the proceeds
 from the sale increase financial resources. Thus, the change in net
 position differs from the change in fund balance by the remaining
 undepreciated cost of the capital assets sold.

(127,000)

Change in net position of governmental activities

\$ 176,363

The accompanying notes are an integral part of this statement.

Brooks Township
STATEMENT OF NET POSITION
 Fiduciary Funds
 March 31, 2022

	Custodial Funds	
	Tax Collection	Trust and Agency
ASSETS		
Cash and investments	\$ 1,809	\$ 920
LIABILITIES		
Due to other governmental units	1,809	-
Due to others	-	920
Total liabilities	1,809	920
NET POSITION		
Restricted for individuals, organizations, and other governments	\$ -	\$ -

The accompanying notes are an integral part of this statement.

Brooks Township
STATEMENT OF CHANGES IN NET POSITION
 Fiduciary Funds
 For the year ended March 31, 2022

	Custodial Funds	
	Tax Collection	Trust and Agency
ADDITIONS		
Property tax collections for other governments	\$ 5,400,693	\$ -
DEDUCTIONS		
Payments of property taxes to other governments	5,400,693	-
Change in net position	-	-
Net position at beginning of year	-	-
Net position at end of year	\$ -	\$ -

The accompanying notes are an integral part of this statement.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of 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, 2022

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

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, 2022

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.

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

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

Cash and Investments

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

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

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

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, 2022

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 acquisition 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 assets that applies to future periods 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 assets that applies to future periods 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, 2022

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, 2022

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 2021 state taxable value for real/personal property of the Township totaled approximately \$162,090,000 of which approximately \$1,583,280 was captured by the component unit. The ad valorem taxes levied consisted of .7287 mills for the Township's operating purposes. This amount is recognized in the General Fund with the captured amount shown in the TIFA along with captured revenues from another township.

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, 2022

NOTE C—DEPOSITS AND INVESTMENTS

As of March 31, 2022, the Township had the following investments:

Investment Type	Fair value	Weighted Average Maturity (Months)	Moody's	Percent
Money market mutual fund	\$ 835	1	not rated	0.55 %
Negotiable certificates of deposit	91,548	30	not rated	60.68
U.S. government securities	<u>58,477</u>	3	AAA	<u>38.76</u>
Total fair value	<u>\$ 150,860</u>			<u>100.00 %</u>
Portfolio weighted average maturity		<u>19</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 - First National Bank	34.3%
Negotiable certificates of deposits - Northpointe Bank	26.4%

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, 2022, \$592,795 of the Township's bank balance of \$1,100,756 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

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 Township 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, 2022

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, 2022.

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.

U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Township believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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, 2022:

	Assets at Fair Value as of March 31, 2022		
	Level 1	Level 2	Total
Money market mutual fund	\$ -	\$ 835	\$ 835
Negotiable certificates of deposit	91,548	-	91,548
U.S. government securities	58,477	-	58,477
Total assets at fair value	\$ 150,025	\$ 835	\$ 150,860

Brooks Township
NOTES TO FINANCIAL STATEMENTS
 March 31, 2022

NOTE E—CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2022 was as follows:

	Balance April 1, 2021	Additions	Deductions	Balance March 31, 2022
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 982,959	\$ -	\$ 67,200	\$ 915,759
Capital assets, being depreciated:				
Land improvements	11,311	-	-	11,311
Buildings and improvements	354,896	-	149,695	205,201
Furniture and equipment	23,723	-	-	23,723
Total capital assets, being depreciated	389,930	-	149,695	240,235
Less accumulated depreciation:				
Land improvements	10,738	378	-	11,116
Buildings and improvements	128,866	64,280	89,895	103,251
Furniture and equipment	9,263	3,160	-	12,423
Total accumulated depreciation	148,867	67,818	89,895	126,790
Total capital assets, being depreciated, net	241,063	(67,818)	59,800	113,445
Capital assets, net	\$ 1,224,022	\$ (67,818)	\$ 127,000	\$ 1,029,204

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, 2022

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 \$370,000. 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, 2022. 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, 2022, the Township recognized pension expense of \$5,018.

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

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

NOTE I—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 60 percent of General Fund revenues.

NOTE J—UPCOMING ACCOUNTING PRONOUNCEMENTS

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

GASB Statement 96—*Subscription-Based Information Technology Arrangements* was issued by the GASB in May 2020 and will be effective for the Township’s 2024 fiscal year. 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 asset—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.

REQUIRED SUPPLEMENTARY INFORMATION

Brooks Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 109,500	\$ 109,500	\$ 117,959	\$ 8,459
Licenses and permits	50,000	50,000	58,050	8,050
Intergovernmental revenues				
State	308,977	308,977	392,372	83,395
Local	-	-	10,746	10,746
Charges for services	96,000	96,000	73,308	(22,692)
Fines and forfeitures	800	800	435	(365)
Investment earnings	6,000	6,000	(3,315)	(9,315)
Other	5,000	5,000	502	(4,498)
Total revenues	576,277	576,277	650,057	73,780
EXPENDITURES				
Current				
General government				
Township board	63,610	80,610	80,048	562
Supervisor	21,977	21,977	19,385	2,592
Elections	16,285	16,285	1,285	15,000
Board of review	2,015	2,015	1,681	334
Clerk	39,188	39,188	39,251	(63)
Treasurer	44,338	44,338	43,142	1,196
Assessor	37,935	37,935	38,084	(149)
Township hall	33,500	33,500	32,762	738
Public works				
Infrastructure and projects	132,147	132,147	75,450	56,697
Roads	126,000	126,000	25,935	100,065
Community and economic development				
Planning commission	10,175	17,175	14,137	3,038
Other planning and zoning activities	30,330	32,330	23,656	8,674
Culture and recreation	5,000	5,000	687	4,313
Capital outlay	10,000	10,500	10,373	127
Total expenditures	572,500	599,000	405,876	193,124
Excess of revenues over (under) expenditures	3,777	(22,723)	244,181	266,904
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	127,000	127,000
Net change in fund balance	<u>\$ 3,777</u>	<u>\$ (22,723)</u>	371,181	<u>\$ 393,904</u>
Fund balance at beginning of year			865,293	
Fund balance at end of year			<u>\$ 1,236,474</u>	