



Heart of the Inland Waterway

TOWNSHIP OF TUSCARORA, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Township Board of Trustees
Township of Tuscarora
Tuscarora, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Tuscarora, Michigan (the "Township"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As stated in Note 11 to the basic financial statements, the Township adopted **GASB Statement No. 84 Fiduciary Activities** in the fiscal year June 30, 2021, which represents a change in its policy for reporting fiduciary activities. Beginning net position of the fiduciary fund was not restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the changes in net pension liability and pension contribution schedules, and budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2021, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Traverse City, MI
December 27, 2021

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Township of Tuscarora, Michigan (The "Township" or "government") we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Township exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,061,557 (net position). Of this amount, \$2,237,836 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net position decreased \$223,943 during the year. Revenues showed an increase across all Township funds during the year of \$983,730 and expenses for the Township increased by \$1,212,565 from the prior fiscal year.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$1,995,554, an increase of \$615,739 in comparison with the prior year. Approximately \$699,540, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$699,540, or approximately 94% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Township's assets, deferred outflows, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus,

revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave and accrued interest on long-term debt).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, police and fire protection, streets, health and welfare, community and economic development, and recreation and culture. The business-type activities of the Township include sewer services.

The government-wide financial statements include not only the Township itself (known as the primary government), but also the legally separate Downtown Development Authority (“DDA”) and Indian River Area Library (“Library”), for which the Township is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself. Financial statements for the DDA and Library can be located in the other supplemental information section of this report.

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

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government’s near-term financing requirements.

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

The Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the police fund, which are considered to be major funds. Data from the 2016 special assessment bonds debt retirement is presented as a separate column as it is considered a nonmajor fund.

The Township adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The township reports one type of fiduciary fund, a *custodial fund*.

The *custodial fund* reports resources held by the Township in a custodial capacity for individuals, private organizations, and other governments.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Township's budgetary comparison schedules and the Townships pension plan schedules.

This report also presents other supplementary information which includes the nonmajor fund and component unit combining and individual statements. The combining statements are presented immediately following the required supplementary information on pensions.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,061,557, at the close of the most recent fiscal year.

Township of Tuscarora's Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
ASSETS						
<i>Current Assets</i>						
Cash and Cash Equivalents	\$ 1,991,879	\$ 1,441,875	\$ 94,057	\$ 109,487	\$ 2,085,936	\$ 1,551,362
Accounts Receivable	1,032	1,410	46,177	41,608	47,209	43,018
Due from Other Governments	62,916	-	-	-	62,916	-
Special Assessments, Current Portion	-	17,649	-	41,553	-	59,202
Total Current Assets	2,055,827	1,460,934	140,234	192,648	2,196,061	1,653,582
<i>Noncurrent Assets</i>						
Restricted Cash	-	-	342,466	352,407	342,466	352,407
Special Assessments	386,347	-	1,889,601	1,882,174	2,275,948	1,882,174
Capital Assets, Net	3,489,418	3,636,413	5,537,293	5,667,094	9,026,711	9,303,507
Total Assets	5,931,592	5,097,347	7,909,594	8,094,323	13,841,186	13,191,670
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related Deferred Outflows	110,601	102,638	-	-	110,601	102,638
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	9,831	18,478	7,409	2,290	17,240	20,768
Payroll Liabilities	50,442	44,992	-	-	50,442	44,992
Accrued Interest Payable	7,723	104	8,116	8,391	15,839	8,495
Current Portion of Long-term Debt	218,000	24,000	63,000	63,000	281,000	87,000
Internal Balances	-	-	-	-	-	-
Total Current Liabilities	285,996	87,574	78,525	73,681	364,521	161,255
<i>Noncurrent Liabilities</i>						
Compensated Absences	18,979	25,291	-	-	18,979	25,291
Long-term Debt	702,000	-	1,792,000	1,855,000	2,494,000	1,855,000
Net Pension Liability	845,478	909,328	-	-	845,478	909,328
Total Liabilities	1,852,453	1,022,193	1,870,525	1,928,681	3,722,978	2,950,874
DEFERRED INFLOWS						
Pension Related Deferred Inflows	167,252	57,934	-	-	167,252	57,934
NET POSITION						
Net Investment in Capital Assets	2,569,418	3,612,413	3,682,293	3,749,364	6,251,711	7,361,777
Restricted	1,229,544	669,984	342,466	352,407	1,572,010	1,022,391
Unrestricted	223,526	(162,539)	2,014,310	2,063,871	2,237,836	1,901,332
Total Net Position	\$ 4,022,488	\$ 4,119,858	\$ 6,039,069	\$ 6,165,642	\$ 10,061,557	\$ 10,285,500

A portion of the Township's net position, \$6,251,711, or 62.1 percent, reflects its investment in capital assets (e.g., land and land improvements, buildings and improvements, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position, \$1,572,010, or 15.6 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance

of \$2,237,836, or 22. percent, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

A summary of significant changes between June 30, 2020 and June 30, 2021 are as follows:

- Long-term liabilities increase due to issuance of bonds to fund capital projects for roads in the township.
- The Township's governmental activities cash increased during the current year by \$550,004. This increase is due to operating results across all funds having growth in fund balance.
- Special assessments increased as there was a petition to fund certain road projects by the citizens.

Governmental Activities. There were significant fluctuations in governmental activities revenues and expenses in the current year, governmental activities net position, in total, changed from the prior year increasing by \$976,137, while expenditures increased a total of \$1,203,036. Significant events leading to this change are highlighted as follows:

- Increase in charges for services related due to the special assessments amongst other charges of \$1,107,185 and an increase in expenditures on public works of \$1,188,480.
- Increase in intergovernmental revenues due to higher state revenue sharing and other grant opportunities.

Business-type Activities. Business-type activities decreased the Township's net position by \$126,573. Expenditures and revenues both increased by similar amounts leading to a similar decrease.

Township of Tuscarora's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Revenue						
Program Revenues						
Charges for Services	\$ 1,246,915	\$ 139,730	\$ 148,641	\$ 142,844	\$ 1,395,556	\$ 282,574
Operating Grants and Contributions	332,723	275,631	-	-	332,723	275,631
Total Program Revenues	1,579,638	415,361	148,641	142,844	1,728,279	558,205
General Revenues						
Property Taxes	1,317,054	1,578,745	-	-	1,317,054	1,578,745
Intergovernmental	297,346	223,838	-	-	297,346	223,838
Interest Income	4,692	4,649	74,158	72,362	78,850	77,011
Total General Revenues	1,619,092	1,807,232	74,158	72,362	1,693,250	1,879,594
Total Revenues	3,198,730	2,222,593	222,799	215,206	3,421,529	2,437,799
Expenses						
General Government	373,062	367,363	-	-	373,062	367,363
Public Safety	1,250,156	1,294,947	-	-	1,250,156	1,294,947
Public Works	1,271,592	83,112	349,372	339,843	1,620,964	422,955
Community and Economic Development	614	260	-	-	614	260
Recreation and Culture	369,991	345,470	-	-	369,991	345,470
Interest on Long-term Debt	30,685	1,912	-	-	30,685	1,912
Loss on Sale of Asset	-	-	-	-	-	-
Total Expenses	3,296,100	2,093,064	349,372	339,843	3,645,472	2,432,907
Change in Net Position	(97,370)	129,529	(126,573)	(124,637)	(223,943)	4,892
Net Position at the Beginning of Period	4,119,858	3,990,329	6,165,642	6,290,279	10,285,500	10,280,608
Net Position at the End of Period	\$ 4,022,488	\$ 4,119,858	\$ 6,039,069	\$ 6,165,642	\$ 10,061,557	\$ 10,285,500

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township's Board.

At June 30, 2021, the Township's governmental funds reported combined fund balances of \$1,995,554, an increase of \$615,739 in comparison with the prior year. Approximately 35.1% of this amount, \$699,540, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *assigned*, or *restricted* to indicate that it is: 1) restricted for particular purposes \$1,229,544 (61.6%) or 2) assigned for particular purposes, \$66,470 or 3.3%.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$699,540. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 94.0% of total general fund expenditures.

The fund balance of the Township's general fund increased by \$59,368 during the current fiscal year. The explanations for the change was provided in an earlier section of this report.

The police fund, a major fund, had a \$71,465 increase in fund balance during the current fiscal year which put the overall fund balance at \$575,209. The explanations for the change was provided in an earlier section of this report.

The 2016 Special Assessment Bonds Debt Retirement, a major fund, had an increase of \$477,865 in the current fiscal year, for an overall fund balance of \$556,460.

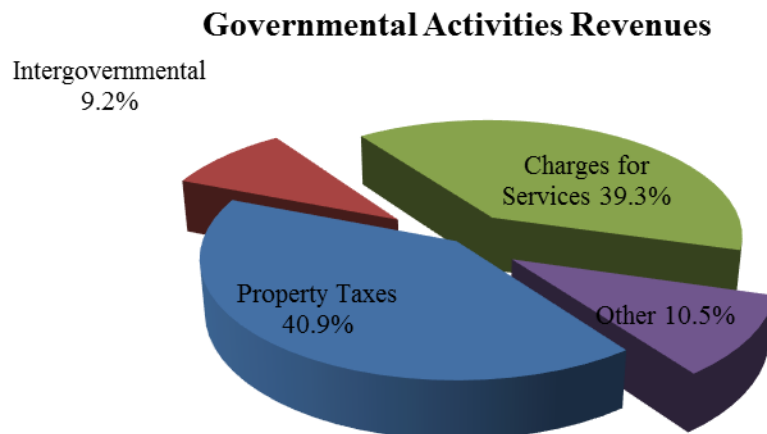
Road Capital Projects, a major fund, increased its fund balance \$14, for a total fund balance of \$14, due to bonds issued and road work.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

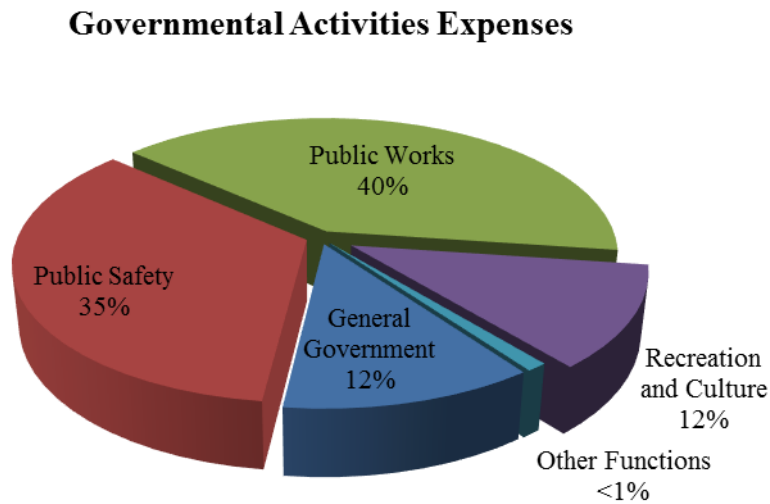
Unrestricted net position at the end of the year was \$2,014,310 for the sewer fund. The decrease in net position was \$126,573 for the sewer fund. A summary of the changes in the sewer fund net position can be found in the business-type activities paragraph found earlier in this report.

Governmental Activities

The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year end:



The following chart summarizes the expenses for the governmental activities of the Township for the most recent fiscal year end:



General Fund Budgetary Highlights

Original budget compared to final budget. During the year, there was no need to increase authorized expenditures in the general fund as a whole. Budget adjustments were made to allow for increased costs related to the completion of the ice rink project.

Final budget compared to actual results. The Township had no expenditures in excess of the amounts appropriated during the year ended June 30, 2021.

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$11,302,659 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, machinery, equipment, vehicles, park facilities, and sewer infrastructure.

More detailed information about the Township's capital assets can be found in Note 4.

Long-term Debt

As described in Note 6 to the financial statements, the Township had \$2,775,000 in long-term debt at the end of the fiscal year. The Township is well under its legal debt limit as of year-end.

Economic Condition and Outlook

Management estimates that \$747,890 of revenues will be available for appropriation in the general fund in the upcoming year. The Township continues to review all budget line items for

opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2022, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values. Additionally, management and the Township Board are currently working to determine the significance that the COVID-19 pandemic will have on the Township's upcoming revenues.

Contacting the Township

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

The Township of Tuscarora
3546 S Straits Highway
Indian River, MI 49749

Basic Financial Statements

Township of Tuscarora
Statement of Net Position
June 30, 2021

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 1,991,879	\$ 94,057	\$ 2,085,936	\$ 451,341
Accounts Receivable	1,032	46,177	47,209	23,817
Due from Other Governments	62,916	--	62,916	--
Total Current Assets	2,055,827	140,234	2,196,061	475,158
<i>Noncurrent Assets</i>				
Capital Assets not Being Depreciated	1,383,282	178,618	1,561,900	1,510,216
Capital Assets Being Depreciated, Net	2,106,136	5,358,675	7,464,811	746,137
Restricted Cash	--	267,615	267,615	6,600
Restricted Cash - RRI	--	74,851	74,851	--
Investments - Endowment	--	--	--	5,675
Special Assessments	386,347	1,889,601	2,275,948	--
Total Assets	5,931,592	7,909,594	13,841,186	2,743,786
DEFERRED OUTFLOWS OF RESOURCES				
Pension	110,601	--	110,601	--
Total Deferred Outflows of Resources	110,601	--	110,601	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	9,831	7,409	17,240	3,724
Payroll Liabilities	50,442	--	50,442	2,155
Accrued Interest	7,723	8,116	15,839	--
Current Portion of Long-term Debt	218,000	63,000	281,000	27,000
Total Current Liabilities	285,996	78,525	364,521	32,879
<i>Noncurrent Liabilities</i>				
Net Pension Liability	845,478	--	845,478	--
Compensated Absences	18,979	--	18,979	--
Long-term Debt	702,000	1,792,000	2,494,000	1,173,000
Total Liabilities	1,852,453	1,870,525	3,722,978	1,205,879
DEFERRED INFLOWS OF RESOURCES				
Pension	167,252	--	167,252	--
Total Deferred Inflows of Resources	167,252	--	167,252	--
NET POSITION				
Net Investment in Capital Assets	2,569,418	3,682,293	6,251,711	1,056,353
<i>Restricted for:</i>				
Nonspendable Endowment	--	--	--	5,675
Debt Service	556,460	--	556,460	--
Repair, Replacement, Improvement	--	74,851	74,851	--
Additional Residential Equivalent Units	--	267,615	267,615	--
Police	575,209	--	575,209	--
Fire Protection	730	--	730	--
Lights	6,297	--	6,297	--
Boat Launch Fees	90,834	--	90,834	--
Capital Improvements	14	--	14	--
<i>Unrestricted</i>	223,526	2,014,310	2,237,836	475,879
Total Net Position	\$ 4,022,488	\$ 6,039,069	\$ 10,061,557	\$ 1,537,907

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Tuscarora
Statement of Activities
For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 373,062	\$ 14,428	\$ 45,178	\$ --	\$ (313,456)	\$ --	\$ (313,456)	\$ --
Public Safety	1,250,156	92,237	199,123	--	(958,796)	--	(958,796)	--
Public Works	1,271,592	1,110,742	14,000	--	(146,850)	--	(146,850)	--
Community and Economic Development	614	--	--	--	(614)	--	(614)	--
Recreation and Culture	369,991	29,508	74,422	--	(266,061)	--	(266,061)	--
Interest on Long-term Debt	30,685	--	--	--	(30,685)	--	(30,685)	--
<i>Total Governmental Activities</i>	<u>3,296,100</u>	<u>1,246,915</u>	<u>332,723</u>	<u>--</u>	<u>(1,716,462)</u>	<u>--</u>	<u>(1,716,462)</u>	<u>--</u>
Business-type Activities:								
Sewer	349,372	148,641	--	--	--	(200,731)	(200,731)	--
<i>Total Business-type Activities</i>	<u>349,372</u>	<u>148,641</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(200,731)</u>	<u>(200,731)</u>	<u>--</u>
<i>Total Primary Government</i>	<u>\$ 3,645,472</u>	<u>\$ 1,395,556</u>	<u>\$ 332,723</u>	<u>\$ --</u>	<u>(1,716,462)</u>	<u>(200,731)</u>	<u>(1,917,193)</u>	<u>--</u>
Component Units								
DDA	\$ 36,641	\$ --	\$ 4,855	\$ --	--	--	--	(31,786)
Indian River Area Library	121,393	4,310	10,883	--	--	--	--	(106,200)
<i>Total Component Units</i>	<u>\$ 158,034</u>	<u>\$ 4,310</u>	<u>\$ 15,738</u>	<u>\$ --</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(137,986)</u>
General Purpose Revenues:								
Intergovernmental					297,346	--	297,346	53,430
Property Taxes					1,317,054	--	1,317,054	165,193
Interest Income					4,692	74,158	78,850	15,665
<i>Total General Revenues and Transfers</i>					<u>1,619,092</u>	<u>74,158</u>	<u>1,693,250</u>	<u>234,288</u>
<i>Change in Net Position</i>					<u>(97,370)</u>	<u>(126,573)</u>	<u>(223,943)</u>	<u>96,302</u>
<i>Net Position at Beginning of Period</i>					4,119,858	6,165,642	10,285,500	1,441,605
<i>Net Position at End of Period</i>					<u>\$ 4,022,488</u>	<u>\$ 6,039,069</u>	<u>\$ 10,061,557</u>	<u>\$ 1,537,907</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Tuscarora
Balance Sheet
Governmental Funds
June 30, 2021

		<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>		
	<u>General</u>	<u>Police</u>	<u>Assessment Bonds Debt Retirement</u>	<u>Road Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents	\$ 880,586	\$ 615,516	\$ 486,531	\$ 14	\$ 9,232	\$ 1,991,879
Accounts Receivable	1,032	--	--	--	--	1,032
Due from Other Governments	62,916	--	--	--	--	62,916
Due from Other Funds	51	--	70,612	--	--	70,663
Special Assessments	--	--	386,347	--	--	386,347
<i>Total Assets</i>	\$ 944,585	\$ 615,516	\$ 943,490	\$ 14	\$ 9,232	\$ 2,512,837
LIABILITIES						
Accounts Payable	\$ 5,099	\$ 1,844	\$ 683	\$ --	\$ 2,205	\$ 9,831
Payroll Liabilities	12,030	38,412	--	--	--	50,442
Due to Other Funds	70,612	51	--	--	--	70,663
<i>Total Liabilities</i>	87,741	40,307	683	--	2,205	130,936
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	--	--	386,347	--	--	386,347
<i>Total Liabilities and Deferred Inflows of Resources</i>	87,741	40,307	387,030	--	2,205	517,283
FUND BALANCE						
Restricted	90,834	575,209	556,460	14	7,027	1,229,544
Assigned	66,470	--	--	--	--	66,470
Unassigned	699,540	--	--	--	--	699,540
<i>Total Fund Balance</i>	856,844	575,209	556,460	14	7,027	1,995,554
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	\$ 944,585	\$ 615,516	\$ 943,490	\$ 14	\$ 9,232	\$ 2,512,837

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Tuscarora
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total Fund Balance - Governmental Funds	\$ 1,995,554
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, the interest expenditure is reported when due.	(7,723)
General government capital assets of \$6,742,285, net of accumulated depreciation of \$3,252,867, are not financial resources, and accordingly are not reported in the funds.	3,489,418
Compensated absences are not due in and payable in the current period, and therefore, are not reported in the funds.	(18,979)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	(920,000)
Certain pension-related amounts, such as the net pension liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	(902,129)
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	386,347
Total Net Position - Governmental Activities	\$ <u>4,022,488</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Tuscarora
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

		<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>		
	<u>General</u>	<u>Police</u>	<u>Assessment Bonds Debt Retirement</u>	<u>Road Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Property Taxes	\$ 340,973	\$ 976,081	\$ --	\$ --	\$ --	\$ 1,317,054
Special Assessments	--	--	713,856	--	202,482	916,338
Intergovernmental	342,524	80,483	--	--	--	423,007
Charges for Services	40,779	21,168	--	--	--	61,947
Local Contributions	--	--	14,000	--	--	14,000
Refunds and Reimbursements	3,112	10	--	--	--	3,122
Other	74,467	15,405	--	--	--	89,872
Interest Income	1,704	1,849	1,075	64	--	4,692
Total Revenues	803,559	1,094,996	728,931	64	202,482	2,830,032
Expenditures						
General Government	327,501	--	--	--	--	327,501
Public Safety	--	1,023,531	--	--	175,104	1,198,635
Public Works	27,825	--	--	1,186,952	28,206	1,242,983
Community and Economic Development	614	--	--	--	--	614
Recreation and Culture	317,494	--	--	--	--	317,494
Debt Service - Principal	--	--	228,000	--	--	228,000
Debt Service - Interest	--	--	23,066	--	--	23,066
Total Expenditures	673,434	1,023,531	251,066	1,186,952	203,310	3,338,293
Excess of Revenues Over (Under) Expenditures	130,125	71,465	477,865	(1,186,888)	(828)	(508,261)
Other Financing Sources (Uses)						
Bond Proceeds	--	--	--	1,124,000	--	1,124,000
Transfers In	--	--	--	62,902	7,855	70,757
Transfers Out	(70,757)	--	--	--	--	(70,757)
Net Other Financing Sources (Uses)	(70,757)	--	--	1,186,902	7,855	1,124,000
Net Change in Fund Balance	59,368	71,465	477,865	14	7,027	615,739
<i>Fund Balance at Beginning of Period</i>	<i>797,476</i>	<i>503,744</i>	<i>78,595</i>	<i>--</i>	<i>--</i>	<i>1,379,815</i>
Fund Balance at End of Period	\$ 856,844	\$ 575,209	\$ 556,460	\$ 14	\$ 7,027	\$ 1,995,554

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Tuscarora
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds	\$ 615,739
Governmental fund report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount of capital outlay expenditures less depreciation expense.	(146,995)
Changes to accrued interest are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.	(7,619)
Change to compensated absences are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	6,312
Changes to the net pension liability and related pension deferrals are not shown in the fund financial statements.	(37,505)
Some receivables are long-term in nature and are collectible over several years. However, the current receipts are reflected as revenues on the fund statements.	368,698
Current year long-term debt principal payments on contractual obligations and bonds payable are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.	228,000
Bond proceeds are recognized as revenues on the governmental fund statements but are shown as an increase in long-term debt on the government-wide financial statements.	(1,124,000)
Changes in Net Position - Governmental Activities	\$ <u>(97,370)</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Tuscarora
Statement of Net Position
Proprietary Fund
June 30, 2021

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Sewer</u>
ASSETS	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 94,057
Accounts Receivable	46,177
<i>Total Current Assets</i>	<u>140,234</u>
<i>Noncurrent Assets</i>	
Capital Assets not Being Depreciated	178,618
Capital Assets Being Depreciated, Net	5,358,675
Restricted Cash	267,615
Restricted Cash - RRI	74,851
Special Assessments	1,889,601
<i>Total Assets</i>	<u>7,909,594</u>
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	7,409
Accrued Interest	8,116
Current Portion of Long-term Debt	63,000
<i>Total Current Liabilities</i>	<u>78,525</u>
<i>Noncurrent Liabilities</i>	
Long-term Debt	1,792,000
<i>Total Liabilities</i>	<u>1,870,525</u>
NET POSITION	
Net Investment in Capital Assets	3,682,293
<i>Restricted for:</i>	
Repair, Replacement, Improvement	74,851
Additional Residential Equivalent Units	267,615
<i>Unrestricted</i>	2,014,310
<i>Total Net Position</i>	<u>\$ 6,039,069</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Tuscarora
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Sewer</u>
Operating Revenues	
Charges for Services	\$ 148,641
<i>Total Operating Revenues</i>	<u>148,641</u>
Operating Expenses	
Professional Fees	106,760
Utilities	38,015
Supplies	12,375
Repairs and Maintenance	10,894
Insurance	1,455
Depreciation	129,801
<i>Total Operating Expenses</i>	<u>299,300</u>
<i>Operating Income (Loss)</i>	<u>(150,659)</u>
Non-Operating Revenues (Expenses)	
Interest Income	74,158
Interest Expense	(50,072)
<i>Net Non-Operating Revenues (Expenses)</i>	<u>24,086</u>
<i>Change In Net Position</i>	<u>(126,573)</u>
<i>Net Position at Beginning of Period</i>	6,165,642
<i>Net Position at End of Period</i>	<u>\$ 6,039,069</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Tuscarora
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021**

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Sewer</u>
Cash Flows Used by Operating Activities	
Cash Received from Customers	\$ 178,198
Cash Payments to Suppliers for Goods and Services	(164,380)
<i>Net Cash Provided by Operating Activities</i>	<u>13,818</u>
Cash Flows from Capital and Related Financing Activities	
Principal Paid	(63,000)
Interest Paid	(50,347)
<i>Net Cash Used by Capital and Related Financing Activities</i>	<u>(113,347)</u>
Cash Flows From Investing Activities	
Interest Income	74,158
<i>Net Cash Provided by Investing Activities</i>	<u>74,158</u>
<i>Net Decrease in Cash and Equivalents</i>	(25,371)
<i>Cash and Equivalents - Beginning of Year</i>	461,894
<i>Cash and Equivalents - End of Year</i>	<u>\$ 436,523</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	\$ (150,659)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	129,801
Changes in Assets and Liabilities	
Special Assessment Receivable	34,126
Accounts Receivable	(4,569)
Accounts Payable	5,119
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 13,818</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Tuscarora
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2021

	<u>Custodial Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 7,809
<i>Total Assets</i>	<u>7,809</u>
LIABILITIES	
Due to Primary Government	<u>7,809</u>
<i>Total Liabilities</i>	<u>7,809</u>
NET POSITION	
Restricted for Individuals, organizations, and other governments	<u>\$ -</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Tuscarora
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2021

	<u>Custodial Fund</u>
Additions	
Property Taxes Collected for Other Governments	\$ 6,849,546
<i>Total Additions</i>	<u>6,849,546</u>
Deductions	
Property Taxes Disbursed to Other Governments	6,849,546
<i>Total Deductions</i>	<u>6,849,546</u>
<i>Change in Net Position</i>	--
<i>Net Position at Beginning of Period</i>	--
<i>Net Position at End of Period</i>	<u><u>\$ --</u></u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Tuscarora
Combining Statement of Net Position
Component Units
June 30, 2021

	<u>DDA</u>	<u>Indian River Area Library</u>	<u>Total Component Units</u>
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 214,166	\$ 237,175	\$ 451,341
Accounts Receivable	--	23,817	23,817
<i>Total Current Assets</i>	<u>214,166</u>	<u>260,992</u>	<u>475,158</u>
<i>Noncurrent Assets</i>			
Capital Assets not Being Depreciated	1,510,216	--	1,510,216
Capital Assets Being Depreciated, Net	571,071	175,066	746,137
Restricted Cash	6,600	--	6,600
Investments - Endowment	--	5,675	5,675
<i>Total Assets</i>	<u>2,302,053</u>	<u>441,733</u>	<u>2,743,786</u>
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	2,755	969	3,724
Payroll Liabilities	--	2,155	2,155
Current Portion of Long-term Debt	27,000	--	27,000
<i>Total Current Liabilities</i>	<u>29,755</u>	<u>3,124</u>	<u>32,879</u>
<i>Noncurrent Liabilities</i>			
Long-term Debt	1,173,000	--	1,173,000
<i>Total Liabilities</i>	<u>1,202,755</u>	<u>3,124</u>	<u>1,205,879</u>
NET POSITION			
Net Investment in Capital Assets	881,287	175,066	1,056,353
<i>Restricted for:</i>			
Nonspendable Endowment	--	5,675	5,675
<i>Unrestricted</i>	218,011	257,868	475,879
<i>Total Net Position</i>	<u>\$ 1,099,298</u>	<u>\$ 438,609</u>	<u>\$ 1,537,907</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Tuscarora
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2021

	DDA	Indian River Area Library	Total Component Units
Expenses			
Community and Economic Development	\$ 36,641	\$ --	\$ 36,641
Recreation and Culture	--	121,393	121,393
Total Expenses	36,641	121,393	158,034
Program Revenues			
Charges for Services	--	4,310	4,310
Operating Grants and Contributions	4,855	10,883	15,738
Capital Grants and Contributions	--	--	--
Total Program Revenues	4,855	15,193	20,048
Net Program Revenues (Expenses)	(31,786)	(106,200)	(137,986)
General Revenue			
Property Taxes	92,533	72,660	165,193
Intergovernmental	--	53,430	53,430
Interest Income	142	15,523	15,665
Total General Revenues	92,675	141,613	234,288
Change in Net Position	60,889	35,413	96,302
<i>Net Position at Beginning of Period</i>	1,038,409	403,196	1,441,605
Net Position at End of Period	\$ 1,099,298	\$ 438,609	\$ 1,537,907

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

Township of Tuscarora

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

The financial statements of Tuscarora Township, Cheboygan County, Michigan (the “Township” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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

Tuscarora Township is an unincorporated Township, which operates under a Supervisor Board form of government. The Township provides the following services: public safety, highways and streets, public improvements, sewer, and general administrative services. The Township has considered all potential component units in evaluating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement 61 of the Government Accounting Standards Board (GASB), *The Financial Reporting Entity*. The basic criteria includes the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township’s financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Township. There are two component units to be included in these statements.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority, which was established pursuant to the provisions of Act 197 of 1975, as amended, is governed by the Township Supervisor and an eight-member board. The Authority may issue debt subject to the limitations set forth in the Act and is funded by a specified annual property tax capture of a portion of the Township and County levies which may only be used for activities within the downtown district. The Township also has the ability to significantly influence operations of the Downtown Development Authority. Complete financial statements for the component unit are not separately prepared.

Indian River Library

The Township Library, which was established pursuant to the provisions of Public Act 164 of 1877, as amended, is governed by a six-person Board of Directors elected through general elections. The Library may issue debt subject to the limitations set forth in the Act and is funded by an annual property tax levy and county penal fines. Complete financial statements for the component unit are not separately prepared.

Township of Tuscarora

Notes to the Financial Statements

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 units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. The fiduciary fund financial statements use the economic resources measurement focus, although the agency funds do not have a measurement focus. 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 have been met.

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 or within one year for expenditure driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and accrued employee benefit expenditures are recorded only when payment is due.

Township of Tuscarora

Notes to the Financial Statements

Property taxes, intergovernmental revenue, charges for services, 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. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The ***general fund*** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The ***police fund*** accounts for revenues and expenditures directly attributable to police operations. Revenue is primarily generated from property taxes.

The ***2016 Special Assessment Bonds Debt Retirement fund*** accounts for revenues and expenditures directly attributable to the 2016 Special assessment debt. Revenue is primarily generated from special assessments.

The ***Road Capital Project*** accounts for revenues and expenditures directly attributable to road projects funded through the 2021 bond operations. Revenue is primarily generated from bond issuance.

The Township reports the following major proprietary fund:

The ***sewer fund*** accounts for the cost of collecting and treating wastewater. Revenues are primarily from service charges to customers, grants, and special assessments. These revenues are also used to pay principal and interest on revenue bonds which were used to finance improvements to the system.

Additionally, the government reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

Capital project funds account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

Agency funds are used to account for assets held on behalf of outside parties, including other governments.

Township of Tuscarora

Notes to the Financial Statements

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Township's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Assets, Liabilities, and Equity

Cash and Cash Equivalents

The Township's cash and cash equivalents include amounts in demand deposit accounts, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. Certificates of deposit are carried at cost plus accrued interest, since the original maturity dates are less than one year.

Investments

Investments consist of the Township's share in an external investment pool and are reported at fair value. This investment pool operates in a manner consistent with the Securities and Exchange Commission's Rule 2a(7) of the Investment Company Act of 1940.

Restricted Assets

Assets which are restricted for specified uses by bond debt requirements are classified as restricted assets. Liabilities payable for such restricted assets are separately classified.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts outstanding at June 30, 2019 were identified by as being uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type

Township of Tuscarora

Notes to the Financial Statements

activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of five years. Such assets are valued at cost where historical records are available and at an estimated historical cost if purchased or constructed. Donated capital assets are recorded at replacement value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays of capital assets and improvement are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital, assets (including infrastructure) of the primary government is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land Improvements	15
Buildings and Improvements	10 - 40
Sewer Infrastructure	30 - 50
Vehicles, Machinery, and Equipment	5 - 10

The Township reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a current charge to income is recognized.

Deferred Outflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The amounts will be amortized to pension expense within five years.

Deferred Inflows of Resources

In addition to liabilities, the fund level balance sheet or 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 fund balance/net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Township of Tuscarora

Notes to the Financial Statements

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

Under terms of Township policies, eligible employees are granted vacation, sick, and compensatory time in varying amounts based on length of service. Sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have maturity, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period that the bond was issued.

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial 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. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

Township of Tuscarora

Notes to the Financial Statements

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have 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 is essentially the difference between the assets and liabilities reported in governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the Township is bound to honor constraints on the specific purpose for which amounts can be spent.

1. Non-spendable fund balance (*inherently non-spendable*)
2. Restricted fund balance (*externally enforceable limitations on use*)
3. Committed fund balance (*self-imposed limitations on use*)
4. Assigned fund balance (*limitation resulting from intended use*)
5. Unassigned fund balance (*the residual classification of the general fund*)

Non-spendable and Restricted Funds - Non-spendable funds are those fund that cannot be spent because they are either (a) not in spendable form – inventories and prepaids - or (b) legally or contractually required to be maintained intact – long-term receivables.

Restricted funds are those funds that have constraints placed on their use by an external party or constitutional provisions or enabling legislations (grants, contributions, specific fee mandates). Non-spendable and Restricted Funds will be maintained and then summarized in the Township's annual financial report by the Townships financial staff.

Township of Tuscarora

Notes to the Financial Statements

Committed Funds - In order to commit fund balance, the Township Board, as the highest level of decision making authority, must pass a Resolution to Commitment funds for a specific purpose. These funds must be fully expended for their committed purpose. To make committed funds uncommitted, a new resolution must be passed by the Board. Action must be taken before the last day of the fiscal year to commit funds for that year.

Assigned Funds - Assigned funds are amounts that are constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed. These amounts can be "assigned" by the Township Supervisor, or his/her designee.

Minimum Unassigned Fund Balance - The Township is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The goal of the Township Board shall be to maintain a minimum unassigned fund balance of no less than 50% of General Fund expenditures. For purposes of this calculation, "expenditures" will be the annual budgeted expenditures less non-recurring capital expenditures.

If unassigned fund balance approaches a level that greatly exceeds 50% of expenditures, the Township Board will consider using unassigned fund balance for the following purposes: pay down future debt, transfer funds to a Capital Projects fund for future Capital improvements, and other future obligations of the Township.

Fund balance levels will be analyzed each fiscal year after the financial statement audit.

Property Tax Revenue Recognition

Property taxes are levied as of December 1 of each year and are due by February 15 of the following calendar year. Any amounts not received by February 28 are added to the County tax rolls. The Township receives 100% payment for the delinquent taxes by June 30. The Township bills and collects its own property taxes and also taxes for other governmental units. Collections of the other governmental units' taxes and remittance of them to the units are accounted for in the tax collection fund (a fiduciary fund).

The taxable value of the Township totaled \$248,675,902, on which ad valorem taxes consisted of .9922 mills for the Township's operating purposes, .01176 mills for lights, .7268 mills for the fire protection, 4.0700 mills for police protection, and .2936 mills for the component unit library operations.

Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers.

Township of Tuscarora

Notes to the Financial Statements

Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the Township.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary and Budgetary Accounting

All governmental funds are under formal budgetary control. Budgets shown in the financial statements as “GAAP Basis” are adopted on a basis consistent with generally accepted accounting principles (GAAP) and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget approved and amended by the Township Board. Budgets are adopted on the activity level and control is exercised on that same level.

Note 2 – Statutory Compliance

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. Budgetary control is exercised at the activity level in the general fund and the functional level in other funds.

The Township had no expenditures in excess of the amounts appropriated during the year ended June 30, 2021.

Note 3 - Cash and Investments

The captions on the government-wide and fund statements relating to cash and investments are as follows:

	Governmental Activities	Business-type Activities	Primary Government	Component Units	Fiduciary Fund
Statement of Net Position					
Cash and Cash Equivalents	\$ 1,991,879	\$ 94,057	\$ 2,085,936	\$ 451,341	\$ 7,809
Restricted Cash		342,466	342,466	6,600	-
Investments - Endowment	-	-	-	5,675	-
Total Deposits and Investments	<u>\$ 1,991,879</u>	<u>\$ 436,523</u>	<u>\$ 2,428,402</u>	<u>\$ 463,616</u>	<u>\$ 7,809</u>

These deposits are held in three financial institutions, both of which are located in Michigan. State policy limits the Treasurer’s investing options as described in detail below. All accounts are in the name of the Township and a specific fund or common account. Deposits and investments are recorded in Township records at fair value. Interest is recorded when earned.

Township of Tuscarora

Notes to the Financial Statements

Deposits and Investments

Checking and Savings Accounts	\$ 2,894,007
Investments	5,675
Cash on Hand	145
Total Deposits and Investments	<u>\$ 2,899,827</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be returned. State law does not require, and the Township does not have, a policy for deposit custodial credit risk. As of year-end, \$2,349,712 of the Townships bank balance of \$2,994,828, was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC and NCUA insurances, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Statutory Authority

State statutes authorize the Township to invest in:

- a. Bonds, securities, other obligations, and repurchase agreements of the United States of America, or an agency or instrumentality of the United States of America.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Township of Tuscarora

Notes to the Financial Statements

Fair Value Measurement

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Township has the following recurring fair value measurements as of June 30, 2021:

- All investments held at the Community Foundation of Northeast Michigan, with a balance of \$80,945 at June 30, 2021, are valued using Level 2 inputs.

Note 4 - Capital Assets

Capital asset activities for governmental activities for the year ended June 30, 2021 were as follows:

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 1,383,282	\$ -	\$ -	\$ 1,383,282
Capital Assets being Depreciated				
Land Improvements	2,602,592	40,875	-	2,643,467
Buildings and Improvements	1,908,362	5,143	-	1,913,505
Vehicles	183,994	10,336	-	194,330
Equipment	563,227	44,474	-	607,701
<i>Subtotal</i>	<u>5,258,175</u>	<u>100,828</u>	<u>-</u>	<u>5,359,003</u>
Less Accumulated Depreciation				
Land Improvements	1,588,713	134,356	-	1,723,069
Buildings and Improvements	907,555	66,330	-	973,885
Vehicles	118,758	16,084	-	134,842
Equipment	390,018	31,053	-	421,071
<i>Subtotal</i>	<u>3,005,044</u>	<u>247,823</u>	<u>-</u>	<u>3,252,867</u>
Capital Assets being Depreciated, Net	<u>2,253,131</u>	<u>(146,995)</u>	<u>-</u>	<u>2,106,136</u>
Capital Assets, Governmental Activities	<u>\$ 3,636,413</u>	<u>\$ (146,995)</u>	<u>\$ -</u>	<u>\$ 3,489,418</u>

Township of Tuscarora

Notes to the Financial Statements

Capital asset activities for business-type activities for the year ended June 30, 2021 were as follows:

Business-type Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 178,618	\$ -	\$ -	\$ 178,618
Capital Assets being Depreciated				
Sewer System	5,945,091	-	-	5,945,091
Machinery and Equipment	58,660	-	-	58,660
<i>Subtotal</i>	<u>6,003,751</u>	<u>-</u>	<u>-</u>	<u>6,003,751</u>
Less Accumulated Depreciation				
Sewer System	499,608	124,999	-	624,607
Machinery and Equipment	15,667	4,802	-	20,469
<i>Subtotal</i>	<u>515,275</u>	<u>129,801</u>	<u>-</u>	<u>645,076</u>
Capital Assets being Depreciated, Net	5,488,476	(129,801)	-	5,358,675
Capital Assets, Business-type Activities	<u>\$ 5,667,094</u>	<u>\$ (129,801)</u>	<u>\$ -</u>	<u>\$ 5,537,293</u>

Capital asset activities for the component unit activities for the year ended June 30, 2021 were as follows:

Component Unit - Downtown Development Authority	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 24,550	\$ 1,485,666	\$ -	\$ 1,510,216
Capital Assets being Depreciated				
Land Improvements	737,066	-	-	737,066
Less Accumulated Depreciation				
Land Improvements	135,624	30,371	-	165,995
Capital Assets, Downtown Development Authority	<u>\$ 625,992</u>	<u>\$ (30,371)</u>	<u>\$ -</u>	<u>\$ 2,081,287</u>

Component Unit - Indian River Area Library	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets being Depreciated				
Books and Periodicals	\$ 239,347	\$ 9,800	\$ 17,623	\$ 266,770
Buildings and Improvements	74,113	-	-	74,113
Equipment	188,887	-	-	188,887
<i>Subtotal</i>	<u>502,347</u>	<u>9,800</u>	<u>17,623</u>	<u>529,770</u>
Less Accumulated Depreciation				
Books and Periodicals	158,521	15,830	17,623	191,974
Buildings and Improvements	19,286	6,126	-	25,412
Equipment	133,067	4,251	-	137,318
<i>Subtotal</i>	<u>310,874</u>	<u>26,207</u>	<u>17,623</u>	<u>354,704</u>
Capital Assets, Indian River Area Library	<u>\$ 191,473</u>	<u>\$ (16,407)</u>	<u>\$ -</u>	<u>\$ 175,066</u>

Township of Tuscarora

Notes to the Financial Statements

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities

General Government	\$ 50,704
Public Safety	21,624
Public Works	28,609
Recreation and Culture	146,886
<i>Total</i>	<u>\$ 247,823</u>

Business-type Activities

Sewer Fund	<u>\$ 129,801</u>
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Discretely Presented Component Units

Tuscarora Township DDA

Community and Economic Development	\$ 30,371
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Indian River Area Library

Recreation and Culture	26,207
<i>Total</i>	<u>\$ 56,578</u>

Note 5 - Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2021 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
2016 Special Assessment	General	\$ 70,612
General	Police	51

All amounts due from other funds represent advances to other funds to finance operations or capital outlays.

Transfers for the year are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Road Capital Projects	General	\$ 62,902
Fire	General	1,540
Street Lighting	General	6,315

Township of Tuscarora

Notes to the Financial Statements

Note 6 - Long-term Debt

Long-term debt activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
2016 Special Assessment bonds - Eagles Nest	\$ 24,000	\$ -	\$ (24,000)	\$ -	\$ -
2020 Special Assessment bonds - Wahbee and Chippewa	-	1,124,000	(204,000)	920,000	218,000
Compensated Absences	25,291	-	(6,312)	18,979	-
Total Governmental Activities:	<u>49,291</u>	<u>1,124,000</u>	<u>(234,312)</u>	<u>938,979</u>	<u>218,000</u>
Business-type Activities:					
2014 Sewer Special Assessment Bonds used to finance sewer project.					
\$2,411,000 at 2.625% Interest. Payments to be made through 2052.	1,918,000	-	(63,000)	1,855,000	63,000
Total Business-type Activities:	<u>1,918,000</u>	<u>-</u>	<u>(63,000)</u>	<u>1,855,000</u>	<u>63,000</u>
Total Primary Government Long-term Debt:	<u>\$ 2,252,001</u>	<u>\$ 1,124,000</u>	<u>\$ (297,312)</u>	<u>\$ 2,793,979</u>	<u>\$ 281,000</u>
Component Unit - DDA					
Tax Increment Revenue Bond, Series 2020B (Taxable)	\$ -	\$ 350,000	\$ -	\$ 350,000	\$ 5,000
Tax Increment Revenue Bond, Series 2020A (Taxable)	-	850,000	-	850,000	22,000
Total Component Unit - DDA:	<u>\$ -</u>	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>	<u>\$ 27,000</u>

The annual requirements, excluding accrued employee benefits, to maturity on the total long-term debt obligations outstanding at June 30, 2021 are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2022	218,000	30,889	248,889
2023	226,000	23,570	249,570
2024	234,000	15,982	249,982
2025	242,000	8,125	250,125
Totals	<u>\$ 920,000</u>	<u>\$ 78,566</u>	<u>\$ 998,566</u>

Township of Tuscarora

Notes to the Financial Statements

Year Ending June 30	Business-type Activities		
	Principal	Interest	Total
2022	63,000	53,366	116,366
2023	63,000	51,713	114,713
2024	63,000	50,059	113,059
2025	63,000	48,405	111,405
2026	60,000	46,830	106,830
2027-2031	314,000	209,475	523,475
2032-2036	315,000	168,131	483,131
2037-2041	320,000	126,394	446,394
2042-2046	320,000	84,394	404,394
2047-2051	274,000	43,444	317,444
Totals	\$ 1,855,000	\$ 882,210	\$ 2,737,210

Year Ending June 30	Component Unit - DDA*		
	Principal	Interest	Total
2022	5,000	7,763	12,763
2023	6,000	7,628	13,628
2024	6,000	7,493	13,493
2025	6,000	7,358	13,358
2026	6,000	7,223	13,223
2027-2031	32,000	34,020	66,020
2032-2036	35,000	30,150	65,150
2037-2041	40,000	25,875	65,875
2042-2046	45,000	21,038	66,038
2047-2051	50,000	15,638	65,638
2052-2056	56,000	9,653	65,653
2057-2061	63,000	2,948	65,948
Totals	\$ 350,000	\$ 176,783	\$ 526,783

*Downtown Development Authority excludes \$850,000 of principal repayments for the 2020A Revenue Bond as the bond is actively being drawn upon for ongoing projects. Repayment schedules will be established when the project and bond amounts are finalized.

Township of Tuscarora

Notes to the Financial Statements

Note 7 - 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 (workers' compensation); and natural disasters. During the year ended June 30, 2021, the Township carried commercial insurance to cover all risks of loss. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. There was no significant change in coverage during the year.

Note 8 - Defined Benefit Pension Plan

Plan Description

Benefits Provided

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Retirement benefits for employees are calculated as follows:

Division	Benefit Multiplier	Employee Contributions	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
Police	2.50%	0.00%	80%	5	60	55/20	50/25 or 55/15	10

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Township Board of Trustees, generally after negotiations of these terms with the affected unions.

Township of Tuscarora

Notes to the Financial Statements

Employees Covered by Benefit Terms

At the December 31, 2020 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	9
<i>Total employees covered by MERS</i>	<u>14</u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2020, the Township had the following contribution rates:

<u>Division</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Police	21.50%	0.00%

Net Pension Liability

The net pension liability reported at June 30, 2021 was determined using a measure of the total pension liability and the pension net position as of December 31, 2020. The December 31, 2020 total pension liability was determined by an actuarial valuation performed as of that date.

Township of Tuscarora

Notes to the Financial Statements

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2019	\$ 2,831,150	\$ 1,921,822	\$ 909,328
Service cost	61,954	-	61,954
Interest	214,240	-	214,240
Difference between expected and actual experience	(70,459)	-	(70,459)
Changes in assumptions	102,416	-	102,416
Contributions - employer	-	120,877	(120,877)
Net investment income	-	255,048	(255,048)
Benefit payments, including refunds	(86,354)	(86,354)	-
Administrative expenses	-	(3,924)	3,924
Other expenses	-	-	-
Net changes	221,797	285,647	(63,850)
Balance at December 31, 2020	\$ 3,052,947	\$ 2,207,469	\$ 845,478

Net pension liabilities are generally liquidated by the general and police fund within governmental activities.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the Township recognized pension expense of \$104,230. At June 30, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 76,241
Net difference in experience	-	91,011
Net difference in assumptions	26,837	-
Employer contributions to the plan subsequent to the measurement date	83,764	-
Total	\$ 110,601	\$ 167,252

Township of Tuscarora

Notes to the Financial Statements

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
June 30	Amount
2022	\$ (44,936)
2023	(11,492)
2024	(52,426)
2025	(31,561)

Actuarial Assumptions

The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.00% plus merit and longevity: 3.00% in the long-term

Investment Rate of Return: 7.35%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 3.00-4.00%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Township of Tuscarora

Notes to the Financial Statements

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global Equity	60.00%	7.75%	4.65%	2.50%	3.15%
Global Fixed Income	20.00%	3.75%	0.75%	2.50%	0.25%
Private Investments	20.00%	9.75%	1.95%	2.50%	1.45%
Total	100.00%		7.35%		4.85%

Discount Rate

The discount rate used to measure the total pension liability is 7.6%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Township, calculated using the discount rate of 7.6 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.6 percent) or one percentage point higher (8.6 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.6%)	1% Increase (8.60%)
Net pension liability of the Township	<u>\$ 1,235,759</u>	<u>\$ 845,478</u>	<u>\$ 517,502</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued plan financial statements.

Significant Changes to the Pension Valuation

At the February 27, 2020, board meeting, the MERS Retirement Board adopted demographic assumptions effective with the December 31, 2020, annual actuarial valuation, which will impact contributions beginning in 2022. A 5-year experience study analyzing historical experience from 2014 through 2018 was completed in February 2020. In addition to changes to the economic

Township of Tuscarora

Notes to the Financial Statements

assumptions which took effect with the fiscal year 2021 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates. Changes to the demographic assumptions resulting from the experience study have been approved by the MERS Retirement Board and are effective beginning with the December 31, 2020, actuarial valuation, first impacting 2022 contributions.

Note 9 - Subsequent Events

Subsequent events have been evaluated through December 27, 2021, the date the financial statements were available to be issued. The following significant subsequent events were noted:

- The Township will be affected by the recent and ongoing outbreak of the Coronavirus (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. COVID-19 has caused significant government and business disruptions through mandated and voluntary closings and stay at home orders. The Township Board and management is in the process of determining the significance that the outbreak will have on the Township's upcoming budget.

Note 10 – USDA Restricted Cash

A portion of the restricted cash in the sewer fund is required by the United States Department of Agriculture - Rural Development (the "USDA") to be maintained at levels consistent with the Township's bond agreements. Repair, Replacement, and Improvement account funds may be used for the repair, replacement, and improvement of the Township's sewer system. Restricted cash related to USDA bonds consists of the following:

	June 30, 2021	
	Required Balance	Actual Balance
<u>Business-type Activities</u>		
<i>Repair, Replacement, and Improvement</i>		
2014 Issue, \$10,693 per year	\$ 74,851	\$ 74,851

The variance from required balance to actual is due to expenditures from that account that have been authorized by the USDA.

Note 11 – Change in Accounting Principle

The Township adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. There was no change in the beginning fund balance for any funds.

Required Supplementary Information

Township of Tuscarora
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 341,250	\$ 341,250	\$ 340,973	\$ (277)
Intergovernmental	207,000	207,000	342,524	135,524
Charges for Services	43,200	43,200	40,779	(2,421)
Refunds and Reimbursements	--	--	3,112	3,112
Other	4,000	4,000	74,467	70,467
Interest Income	1,600	1,600	1,704	104
Total Revenues	597,050	597,050	803,559	206,509
Expenditures				
General Government				
Township Board	99,176	99,176	89,457	9,719
Supervisor	49,032	48,502	26,496	22,006
Clerk	41,632	41,632	34,875	6,757
Board of Review	2,385	2,385	1,143	1,242
Treasurer	40,040	40,040	37,325	2,715
Assessor	97,250	97,250	85,954	11,296
Cemetery	14,600	14,600	12,019	2,581
Elections	11,700	12,000	11,972	28
Building and Grounds	24,800	24,800	22,354	2,446
Other	6,000	6,000	5,906	94
Total General Government	386,615	386,385	327,501	58,884
Public Works				
Roads	136,000	72,900	11,893	61,007
Sanitation	900	900	845	55
Airport	19,000	19,000	15,087	3,913
Total Public Works	155,900	92,800	27,825	64,975
Community and Economic Development -				
Planning	2,600	2,600	614	1,986
Recreation and Culture				
Recreation and Culture - Parks	167,600	167,600	154,245	13,355
Recreation and Culture - Boat Launch	49,750	187,250	163,249	24,001
Total Recreation and Culture	217,350	354,850	317,494	37,356
Total Expenditures	762,465	836,635	673,434	163,201
Other Financing Uses				
Transfers Out	7,800	71,130	70,757	373
Total Expenditures and Other Financing Uses	770,265	907,765	744,191	163,574
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	(173,215)	(310,715)	59,368	370,083
Net Change in Fund Balance	(173,215)	(310,715)	59,368	370,083
<i>Fund Balance at Beginning of Period</i>	<i>797,476</i>	<i>797,476</i>	<i>797,476</i>	<i>--</i>
Fund Balance at End of Period	\$ 624,261	\$ 486,761	\$ 856,844	\$ 370,083

Township of Tuscarora
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Police
For the Year Ended June 30, 2021

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Property Taxes	\$ 980,605	\$ 980,605	\$ 976,081	\$ (4,524)
Penal Fines	--	--	347	347
Intergovernmental	73,181	73,181	80,483	7,302
Charges for Services	9,073	9,073	20,821	11,748
Refunds and Reimbursements	--	--	10	10
Other	--	--	15,405	15,405
Interest Income	500	500	1,849	1,349
Total Revenues	1,063,359	1,063,359	1,094,996	31,637
Expenditures				
Public Safety - Police	1,065,064	1,065,064	1,023,531	41,533
Total Expenditures	1,065,064	1,065,064	1,023,531	41,533
Excess (Deficiency) of Revenues				
Over Expenditures	(1,705)	(1,705)	71,465	73,170
Net Change in Fund Balance	(1,705)	(1,705)	71,465	73,170
<i>Fund Balance at Beginning of Period</i>	503,744	503,744	503,744	--
Fund Balance at End of Period	\$ 502,039	\$ 502,039	\$ 575,209	\$ 73,170

Township of Tuscarora
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Seven Plan Years *

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$ 61,954	\$ 60,668	\$ 58,652	\$ 51,118	\$ 70,378	\$ 66,338	\$ 64,795
Interest	214,240	205,578	193,122	181,306	207,567	186,965	172,980
Changes in Benefit Terms	-	-	-	-	(409,343)	-	-
Differences Between Expected & Actual Experience	(70,459)	(17,990)	(10,676)	(3,609)	(103,865)	21,040	-
Changes in Assumptions	102,416	87,087	-	-	-	133,816	-
Other	-	(1)	(1)	-	-	-	-
Benefit Payments, Including Refunds	(86,354)	(87,166)	(85,645)	(84,124)	(82,603)	(81,082)	(56,969)
Net Change in Pension Liability	221,797	248,176	155,452	144,691	(317,866)	327,077	180,806
<i>Total Pension Liability - Beginning</i>	<i>2,831,150</i>	<i>2,582,974</i>	<i>2,427,522</i>	<i>2,282,831</i>	<i>2,600,697</i>	<i>2,273,620</i>	<i>2,092,814</i>
Total Pension Liability - Ending (a)	\$ 3,052,947	\$ 2,831,150	\$ 2,582,974	\$ 2,427,522	\$ 2,282,831	\$ 2,600,697	\$ 2,273,620
Plan Fiduciary Net Position							
Contributions - Employer	\$ 120,877	\$ 113,787	\$ 100,545	\$ 92,739	\$ 86,165	\$ 91,211	\$ 93,992
Contributions - Member	-	-	-	-	5,905	15,816	14,615
Net Investment Income	255,048	229,342	(69,017)	202,446	156,459	(20,972)	79,029
Benefit Payments, Including Refunds	(86,354)	(87,166)	(85,645)	(84,124)	(82,603)	(81,082)	(56,969)
Administrative Expenses	(3,924)	(3,952)	(3,378)	(3,200)	(3,084)	(3,002)	(2,925)
Other	-	-	(2)	-	-	-	-
Net Change in Plan Fiduciary Net Position	285,647	252,011	(57,497)	207,861	162,842	1,971	127,742
<i>Plan Fiduciary Net Position - Beginning</i>	<i>1,921,822</i>	<i>1,669,811</i>	<i>1,727,308</i>	<i>1,519,447</i>	<i>1,356,605</i>	<i>1,354,634</i>	<i>1,226,892</i>
Plan Fiduciary Net Position - Ending (b)	\$ 2,207,469	\$ 1,921,822	\$ 1,669,811	\$ 1,727,308	\$ 1,519,447	\$ 1,356,605	\$ 1,354,634
Net Pension Liability - Ending (a) - (b)	\$ 845,478	\$ 909,328	\$ 913,163	\$ 700,214	\$ 763,384	\$ 1,244,092	\$ 918,986
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.3%	67.9%	64.6%	71.2%	66.6%	52.2%	59.6%
Covered Payroll	\$ 569,954	\$ 562,258	\$ 545,997	\$ 467,843	\$ 465,158	\$ 451,893	\$ 441,383
Net Pension Liability as a Percentage of Covered Payroll	148.3%	161.7%	167.2%	149.7%	164.1%	275.3%	208.2%

Notes to Schedule:

* Built prospectively upon implementation on GASB Statement No.68. An additional year will be added each year until ten years are presented.

**The following were significant changes to economic and demographic assumptions:

2015 valuation - The investment rate of return assumption was reduced from 8.25% to 8.0%, the wage inflation assumption was reduced from 4.50% to 3.75%, inflation rates changed from 3.0-4.0% to 3.25%, and the mortality assumption was updated to be based on the RP-2014 tables.

2019 valuation - The investment rate of return assumption was reduced from 8.00% to 7.60%, the wage inflation assumption was reduced from 3.75% to 3.00%.

2020 valuation - Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions

Township of Tuscarora
Required Supplementary Information
Schedule of Contributions
Last Seven Fiscal Years *

	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 123,172	\$ 113,787	\$ 100,545	\$ 92,739	\$ 86,165	\$ 61,855	\$ 93,992
Contributions in Relation to the Actuarially Determined Contribution	123,172	113,787	100,545	92,739	86,165	61,855	93,992
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Covered Payroll	572,894	562,258	545,997	467,843	465,158	451,893	441,383
Contributions as a Percentage of Covered Payroll	21.5%	20.2%	18.4%	19.8%	18.5%	13.7%	21.3%

Notes

Valuation Date

Actuarially determined contribution amounts are calculated as of December 31 each year, which is the year prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of pay, open
Remaining amortization period	18 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.00% - In the long term
Investment rate of return	7.35% net of investment and administrative expense
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Rates Used were Based on the Pub-2010 Group Annuity Mortality Table of a 50% Male and 50% Female Blend

** Built prospectively upon implementation on GASB 68*

OTHER SUPPLEMENTARY INFORMATION

**Township of Tuscarora
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021**

	Special Revenue		Total Nonmajor Governmental Funds
	Street Lighting	Fire Fund	
ASSETS			
Cash and Cash Equivalents	\$ 8,502	\$ 730	\$ 9,232
<i>Total Assets</i>	\$ 8,502	\$ 730	\$ 9,232
LIABILITIES			
Accounts Payable	\$ 2,205	\$ --	\$ 2,205
<i>Total Liabilities</i>	2,205	--	2,205
FUND BALANCE			
Restricted	6,297	730	7,027
Unassigned	--	--	--
<i>Total Fund Balance</i>	6,297	730	7,027
<i>Total Liabilities and Fund Balance</i>	\$ 8,502	\$ 730	\$ 9,232

Township of Tuscarora
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Special Revenue		Total Nonmajor Governmental Funds
	Street Lighting	Fire Fund	
Revenues			
Special Assessments	\$ 28,188	\$ 174,294	\$ 202,482
Total Revenues	28,188	174,294	202,482
Expenditures			
Public Safety	--	175,104	175,104
Public Works	28,206	--	28,206
Total Expenditures	28,206	175,104	203,310
Excess of Revenues Over (Under) Expenditures	(18)	(810)	(828)
Other Financing Sources (Uses)			
Transfers In	6,315	1,540	7,855
Net Other Financing Sources (Uses)	6,315	1,540	7,855
Net Change in Fund Balance	6,297	730	7,027
<i>Fund Balance at Beginning of Period</i>	--	--	--
Fund Balance at End of Period	\$ 6,297	\$ 730	\$ 7,027

**Indian River Library
Statement of Net Position
June 30, 2021**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 237,175
Due from Other Governments	23,817
Total Current Assets	260,992

Noncurrent Assets

Capital Assets being Depreciated, Net	175,066
Investments - Endowment	5,675
Total Assets	441,733

LIABILITIES

Current Liabilities

Accounts Payable	969
Payroll Liabilities	2,155
Total Liabilities	3,124

NET POSITION

Investment in Capital Assets	175,066
<i>Restricted for:</i>	
Nonspendable - Endowment	5,675
<i>Unrestricted</i>	257,868
Total Net Position	\$ 438,609

**Indian River Library
Statement of Activities
For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Recreation and Culture	\$ 121,393	\$ 4,310	\$ 10,883	\$ --	\$ (106,200)
<i>Total</i>	<u>\$ 121,393</u>	<u>\$ 4,310</u>	<u>\$ 10,883</u>	<u>\$ --</u>	<u>\$ (106,200)</u>
General Purpose Revenues:					
					15,523
					2,533
					50,897
					72,660
					<u>141,613</u>
					35,413
					403,196
					<u>\$ 438,609</u>

**Indian River Library
Balance Sheet
Governmental Funds
June 30, 2021**

	General
ASSETS	
Cash and Cash Equivalents	\$ 237,175
Due from Other Governments	23,817
Investments - Endowment	5,675
<i>Total Assets</i>	\$ 266,667
LIABILITIES	
Accounts Payable	\$ 969
Payroll Liabilities	2,155
<i>Total Liabilities</i>	3,124
FUND BALANCE	
Nonspendable	5,675
Unassigned	257,868
<i>Total Fund Balance</i>	263,543
<i>Total Liabilities and Fund Balance</i>	\$ 266,667

Indian River Library
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total Fund Balance - Governmental Funds	\$ 263,543
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	175,066
Total Net Position - Governmental Activities	\$ <u>438,609</u>

Indian River Library
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	<u>General</u>
Revenues	
Property Taxes	\$ 72,660
Penal Fines	50,897
State Sources	2,533
Grants and Contributions	9,554
Charges for Services	5,226
Fines	314
Interest Income	15,523
Other Revenues	99
<i>Total Revenues</i>	<u>156,806</u>
Expenditures	
Salaries and Wages	61,645
Fringe Benefits	1,540
Postage	2,870
Supplies	12,408
Repairs and Maintenance	6,766
Utilities	8,864
Contracted Services	4,805
Printing and Publishing	1,864
Telephone	2,576
Other Expenditures	1,648
<i>Total Expenditures</i>	<u>104,986</u>
<i>Excess of Revenues Over</i>	
<i>(Under) Expenditures</i>	<u>51,820</u>
<i>Net Change in Fund Balance</i>	51,820
<i>Fund Balance at Beginning of Period</i>	<u>211,723</u>
<i>Fund Balance at End of Period</i>	\$ 263,543

Indian River Library
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds	\$	51,820
--	----	--------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives as depreciation expense. This is the amount by which current year depreciation expense of \$26,207 is in excess of capital outlay expenditures of \$9,800.

(16,407)

Changes in Net Position - Governmental Activities	\$	<u>35,413</u>
--	-----------	----------------------

Township of Tuscorora DDA
Statement of Net Position
June 30, 2021

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 214,166
<i>Total Current Assets</i>	214,166

Noncurrent Assets

Restricted Cash - Bond Reserve	6,600
Capital Assets not being Depreciated	1,510,216
Capital Assets being Depreciated, Net	571,071
<i>Total Assets</i>	2,302,053

LIABILITIES

Current Liabilities

Current Liabilities	2,755
Current Portion of Long-term Debt	27,000
<i>Total Current Liabilities</i>	29,755

Noncurrent Liabilities

Long-term Debt	1,173,000
<i>Total Liabilities</i>	1,202,755

NET POSITION

Investment in Capital Assets	881,287
<i>Unrestricted</i>	218,011
<i>Total Net Position</i>	\$ 1,099,298

Township of Tuscorora DDA
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Community and Economic Development	\$ 36,641	\$ --	\$ 4,855	\$ --	\$ (31,786)
<i>Total</i>	<u>\$ 36,641</u>	<u>\$ --</u>	<u>\$ 4,855</u>	<u>\$ --</u>	<u>\$ (31,786)</u>
General Purpose Revenues:					
Interest					142
Property Taxes					92,533
<i>Total General Revenues and Transfers</i>					<u>92,675</u>
<i>Change in Net Position</i>					<u>60,889</u>
<i>Net Position at Beginning of Period</i>					<u>1,038,409</u>
<i>Net Position at End of Period</i>					<u>\$ 1,099,298</u>

**Township of Tuscorora DDA
Balance Sheet
Governmental Funds
June 30, 2021**

	General
ASSETS	
Cash and Cash Equivalents	\$ 214,166
Restricted Cash - Bond Reserve	6,600
<i>Total Assets</i>	<u>\$ 220,766</u>
LIABILITIES	
Current Liabilities	\$ 2,755
<i>Total Liabilities</i>	<u>2,755</u>
FUND BALANCE	
Unassigned	218,011
<i>Total Fund Balance</i>	<u>218,011</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 220,766</u>

Township of Tuscorora DDA
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total Fund Balance - Governmental Funds	\$ 218,011
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,081,287
Certain liabilities, such as bonds payable, are not due the current period and, therefore, are not reported in the funds.	(1,200,000)
Total Net Position - Governmental Activies	\$ <u>1,099,298</u>

Township of Tuscorora DDA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	<u>General</u>
Revenues	
Property Taxes	\$ 92,533
Other Revenues	4,855
Interest	142
<i>Total Revenues</i>	<u>97,530</u>
Expenditures	
Community and Economic Development	1,491,936
<i>Total Expenditures</i>	<u>1,491,936</u>
<i>Excess of Revenues Over</i>	
<i>(Under) Expenditures</i>	<u>(1,394,406)</u>
Other Financing Sources (Uses)	
Bond Proceeds	1,200,000
<i>Net Other Financing Sources (Uses)</i>	<u>1,200,000</u>
<i>Net Change in Fund Balance</i>	<u>(194,406)</u>
<i>Fund Balance at Beginning of Period</i>	412,417
<i>Fund Balance at End of Period</i>	<u>\$ 218,011</u>

Township of Tuscorora DDA
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds	\$	(194,406)
--	----	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense of \$30,371 is in excess of capital outlay of \$1,485,666 during the current year.		1,455,295
--	--	-----------

Bond proceeds are recognized as revenues on the governmental fund statements but are shown as an increase in long-term debt on the government-wide financial statements.		(1,200,000)
--	--	-------------

Changes in Net Position - Governmental Activities	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;"> 60,889 </div>
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

To the Board of Trustees
Township of Tuscarora, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Tuscarora, Michigan (the "Township") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated December 27, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as items 2021-001 through 2021-005 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-006.

The Township's Responses to Findings

The Township's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "Galbridge & Company". The signature is written in a cursive, flowing style.

Traverse City, Michigan
December 27, 2021

Township of Tuscarora

Schedule of Findings and Responses

2021-001 – Preparation of Governmental Financial Statements and Material Audit Adjustments

Finding Type: Material weakness over financial reporting.

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

Condition/Finding: As is the case with many smaller and medium sized entities, the Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Township's internal controls. In addition, we proposed, and management approved, material journal entries to properly record accounts payable and capital asset (capital outlay) transactions in the governmental funds.

Additionally, we prepared, and management approved of, significant adjustments to the Township's general ledger. Material adjustments were discovered during the audit process and because of this condition, the Township is not in compliance with the required written procedures under the Uniform Guidance. During the audit we proposed entries to record:

- 2016 Special Assessment Bonds Debt Retirement fund: Adjust current year receivable for special assessments from prior year - \$15,628 decrease special assessment receivable and deferred revenue.
- 2016 Special Assessment Bonds Debt Retirement fund: Adjust current year receivable and deferred inflow for WAHBEE special assessment - \$68,384 decrease special assessment receivable and deferred revenue.
- 2016 Special Assessment Bonds Debt Retirement fund: Adjust current year receivable and deferred revenue for Prospect / Chippewa - \$315,941.50 decrease special assessment receivable and

Township of Tuscarora

Schedule of Findings and Responses

deferred revenue.

- General Fund - Adjust State revenue and reclassify federal portion recognized in current year – Increase due from other governments \$55,628 – reclassify revenues from state to federal \$38,397.
- Sewer fund - Reclassify payments received for special assessments receivable - \$37,242 decrease to special assessment revenues and related receivables.

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

Effect: As a result of this condition, the Township lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, at least in part, on its external auditors for assistance with this task. In addition, the Township's records were initially misstated by an amount material to the financial statements.

Questioned Costs: No costs have been questioned as a result of this finding.

Recommendation The Township should evaluate the process currently used to identify and record adjustments to the general ledger at year-end. Additional controls or modification to the existing controls may be necessary. Correctly identifying year-end receivables will lead to management having to spend less time making modifications to the general ledger and the financial statements and will provide the Township Board with more accurate financial information in a timelier manner.

View of Responsible Officials: See corrective action plan.

2021-002 - Bank Reconciliation Frequency

Finding Type: Material weakness over financial reporting.

Criteria: The Accounting Procedures Manual (the "APM") states "all bank accounts must be reconciled to the local unit accounting records monthly and should then be reviewed by the appropriate supervisory personnel".

Township of Tuscarora

Schedule of Findings and Responses

Condition/Finding:	We found that the Township did not have its year-end financial statements reconciled to the general ledger until October 2021.
Cause:	This is largely the result of the Township having multiple instances of turnover in the Clerk's position during the fiscal year, as well as a lack of written procedures for bank account reconciliations.
Effect:	Failure to reconcile the bank accounts timely can create instances where financial information being relied upon, in the form of reports from the accounting system, may be incomplete or inaccurate.
Questioned Costs:	No costs have been questioned as a result of this finding.
Recommendation:	We recommend that the Township takes appropriate measures to ensure that bank reconciliations are occurring timely regardless of staffing issues such as cross-training staff or seeking assistance from an external CPA firm.
View of Responsible Officials:	See corrective action plan.

2021-003 - Preapproval of Disbursements

Finding Type:	Material weakness over financial reporting.
Criteria:	The APM states "All disbursements must be approved by the legislative body prior to disbursement unless addressed otherwise in the charter. The legislative body may establish a formal policy to authorize limited payments prior to approval to avoid finance or late charges as well as to pay appropriated amounts and payroll (including related payroll taxes and withholdings). These disbursements must be approved after payment is made".
Condition/Finding:	The Township disbursed payments for utility bills, payroll taxes, and other items where there would have been a penalty for late payment prior to formal approval by the Township board. However, the Township lacked a written policy allowing for payments of expenditures to occur prior to Board approval.
Cause:	The Township did not have a formal prepaids/preapproval policy in place.
Effect:	Payments were not approved until the subsequent board meeting and lacked the appropriate authorization as they were not made pursuant to a prepaids/preapproval policy.

Township of Tuscarora

Schedule of Findings and Responses

Questioned Costs: No costs have been questioned as a result of this finding.

Recommendation: We recommend the Township adopts and adheres to a policy that allows for certain disbursements prior to Board approval if the Township wishes to continue disbursing payments prior to Board approval.

View of Responsible Officials: See corrective action plan.

2021-004 - Approval of Payroll Disbursements

Finding Type: Material weakness over financial reporting.

Criteria: The APM state that “The governing body must fulfill its responsibility to approve all payments (In a home rule city or Township, the charter may not require the governing body to approve bills.)”.

Condition/Finding: The Township did not formally approve the disbursement of payroll checks as part of its approval of bills during the year.

Cause: The Township does not have a policy in place that outlines the procedures to follow that ensure the Township is in compliance with the APM.

Effect: As a result of this condition, the Township board did not approve payroll checks that were issued during the year.

Questioned Costs: No costs have been questioned as a result of this finding.

Recommendation: The Township should institute a policy that specifically outlines how the approval of disbursements should be performed.

View of Responsible Officials: See corrective action plan.

2021-005 - Preparation of the Schedule of Expenditures of Federal Awards

Finding Type: Material weakness over federal award

Programs: Water and Waste Disposal Systems for Rural Communities (CFDA #10.760)

Criteria: The Uniform Guidance, §200.510, requires that a recipient of federal

Township of Tuscarora

Schedule of Findings and Responses

awards subject to a single audit “prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements, which must include the total Federal awards expended as determined in accordance with §200.502.” In addition, the Township is required to prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards (the "Schedule") in accordance with these guidelines.

Condition/Finding: Management provided an initial Schedule of Expenditure of Awards, however, material adjustments were discovered during the audit process. This condition was primarily caused by the extreme infrequency of the Township being required to prepare a Schedule of Expenditures of Federal Awards and the corresponding lack of established policies and procedures to produce an accurate Schedule. As a result of this condition, the Township is not in compliance with the required written procedures under the Uniform Guidance.

Cause: Required journal entries were not detected by the Township’s internal control over financial reporting.

Effect: The financial statements, including the schedule of expenditures of federal awards, would have been materially misstated if audit adjustments hadn’t been made.

Questioned Costs: No costs have been questioned as a result of this finding.

Recommendation: The Township should develop and implement written procedures over the preparation of the schedule of expenditures of federal awards to be used as a reference for future year(s) subject to single audit reporting.

View of Responsible Officials

(Corrective Action): See corrective action plan.

2021-006 - Written Policies Required by the Uniform Grant Guidance

Finding Type: Immaterial noncompliance.

Programs: Water and Waste Disposal Systems for Rural Communities (CFDA #10.760)

Criteria: The Uniform Guidance requires a non-federal entity that has expended federal awards for a grant awarded on or after December 26, 2014 to have written policies pertaining to allowability of costs charged to federal

Township of Tuscarora

Schedule of Findings and Responses

programs, cash management, financial management, procurement, compensation/payroll, and travel costs (§200.300 - 328)).

Condition/Finding: Although the Township has processes in place to cover these areas, the Township lacks formal written policies covering these areas.

Cause: This condition appears to be the result of a time lag in identifying the requirement and developing a plan for compliance.

Effect: As a result of this condition, the Township did not fully comply with the Uniform Guidance applicable to the above noted grants.

Questioned Costs: No costs have been questioned as a result of this finding.

Recommendation: We recommend that the Township ensures these policies are updated to conform with the Uniform Guidance as soon as practical, but no later than the end of fiscal year 2022.

View of Responsible
Officials

(Corrective Action): See corrective action plan.

December 27, 2021

To the Board of Trustees
Township of Tuscarora, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Tuscarora for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 27, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and, except as stated in Note 11 to the financial statements, the application of existing policies was not changed during the fiscal year 2021. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension plans are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 27, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

We were engaged to report on the combining statements and individual fund statements and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC
Traverse City, MI