

TOWNSHIP OF MELROSE, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Melrose Township
Walloon Lake, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Melrose, Michigan (the "Township") as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township, as of March 31, 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 2021, which represents a change in its policy for reporting fiduciary activities. 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 and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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, as listed in the table of contents, 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 September 10, 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 a simple loop.

Gabridge & Company, PLC
Grand Rapids, Michigan
September 10, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Township of Melrose
Management's Discussion and Analysis
For the Year Ended March 31, 2021**

As management of the Township of Melrose, 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 March 31, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$4,256,012 (*net position*). Of this amount, \$894,228 represents *unrestricted net position*, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Township's general fund reported fund balance of \$917,057, an increase of \$98,454 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$726,546, or approximately 201.6% 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 the 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 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., interest accrued on long-term debt and capital asset activity).

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 legislative, general government, public safety, streets, community and economic development, and culture and recreation. 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 a legally separate Downtown Development Authority for which the Township is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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 balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, secondary road fund, road fund, fire operating fund, and fire sinking fund, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplemental information section of this report.

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 proprietary fund, which is classified as an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

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

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The *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. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$4,256,012 at the close of the most recent fiscal year. On the following page is a schedule, as of year-end, showing assets, liabilities, and net position for the Township for each of the past two audited year-ends:

Township of Melrose's Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2019	2021	2019	2021	2019
ASSETS						
<i>Current Assets</i>						
Cash and Cash Equivalents	\$ 2,145,664	\$ 1,368,231	\$ 86,765	\$ 72,178	\$ 2,232,429	\$ 1,440,409
Accounts Receivable	-	-	7,059	25,285	7,059	25,285
Current Portion of Note Receivable	10,000	10,000	-	-	10,000	10,000
Prepaid Items	-	13,733	-	583	-	14,316
Due from Other Governments	34,554	73,435	-	-	34,554	73,435
Total Current Assets	2,190,218	1,465,399	93,824	98,046	2,284,042	1,563,445
<i>Noncurrent Assets</i>						
Restricted Cash	-	-	22,728	31,640	22,728	31,640
Note Receivable	-	20,000	-	-	-	20,000
Capital Assets not Being Depreciated	512,877	494,566	40,317	45,733	553,194	540,299
Capital Assets Being Depreciated, Net	1,740,807	1,650,346	712,017	668,548	2,452,824	2,318,894
Total Assets	4,443,902	3,630,311	868,886	843,967	5,312,788	4,474,278
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	8,740	20,451	3,486	2,408	12,226	22,859
Accrued Liabilities	26,383	24,177	140	-	26,523	24,177
Unearned Revenues	-	-	33,915	-	33,915	-
Accrued Interest	8,323	9,582	789	817	9,112	10,399
Current Portion of Long-term Debt	35,000	30,000	9,000	9,000	44,000	39,000
Total Current Liabilities	78,446	84,210	47,330	12,225	125,776	96,435
<i>Noncurrent Liabilities</i>						
Long-term Debt	435,000	500,000	496,000	514,000	931,000	1,014,000
Internal Balances	(80,000)	(107,164)	80,000	107,164	-	-
Total Liabilities	433,446	477,046	623,330	633,389	1,056,776	1,110,435
NET POSITION						
Net Investment in Capital Assets	1,783,684	1,614,912	247,334	191,281	2,031,018	1,806,193
Restricted	1,308,038	827,396	22,728	31,640	1,330,766	859,036
Unrestricted	918,734	710,957	(24,506)	(12,343)	894,228	698,614
Total Net Position	\$ 4,010,456	\$ 3,153,265	\$ 245,556	\$ 210,578	\$ 4,256,012	\$ 3,363,843

The largest portion of the Township's net position (\$2,031,018, or 47.7%) reflects its investment in capital assets (e.g., land and improvements, buildings, 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 (\$1,330,766, or 31.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$894,228, or 21.0%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

The cash and cash equivalents of the Township increased by \$792,020 compared to the last audited year, primarily due to the overall increase in net position of \$892,169 during the same timeframe. Long-term debt decreased by \$78,000 from fiscal 2019 as the Township made two principal payments on its outstanding bonds since the most recent audit. Capital assets increased by a net \$146,825 primarily due to \$311,298 of capitalized road projects, net of accumulated depreciation, since the previous audit.

Changes in Net Position

The Township's overall net position increased \$435,807 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Township of Melrose's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2019	2021	2019	2021	2019
Revenues						
Program Revenues						
Charges for Services	\$ 91,459	\$ 72,790	\$ 61,394	\$ 100,666	\$ 152,853	\$ 173,456
Operating Grants and Contributions	8,434	6,000	-	-	8,434	6,000
Total Program Revenues	99,893	78,790	61,394	100,666	161,287	179,456
General Revenues						
Property Taxes	826,763	761,421	-	-	826,763	761,421
State Revenue Sharing	125,043	123,511	-	-	125,043	123,511
Interest Income	1,453	1,613	203	792	1,656	2,405
Total General Revenues	953,259	886,545	203	792	953,462	887,337
Total Revenues	1,053,152	965,335	61,597	101,458	1,114,749	1,066,793
Expenses						
Legislative	29,046	24,133	-	-	29,046	24,133
General Government	173,546	168,132	-	-	173,546	168,132
Public Safety	154,900	157,736	-	-	154,900	157,736
Public Works	132,356	84,158	50,478	50,056	182,834	134,214
Health and Welfare	28,879	35,299	-	-	28,879	35,299
Community and Economic Development	37,073	37,760	-	-	37,073	37,760
Recreation and Culture	53,114	44,443	-	-	53,114	44,443
Interest on Long-term Debt	19,550	23,198	-	-	19,550	23,198
Total Expenses	628,464	574,859	50,478	50,056	678,942	624,915
Change in Net Position	424,688	390,476	11,119	51,402	435,807	441,878
<i>Net Position at Beginning of Period</i>	3,585,768	2,762,789	234,437	159,176	3,820,205	2,921,965
Net Position at End of Period	\$ 4,010,456	\$ 3,153,265	\$ 245,556	\$ 210,578	\$ 4,256,012	\$ 3,363,843

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$424,688 from the prior fiscal year for an ending balance of \$4,010,456.

The most significant change when compared to the past is that public works expenses increased by \$48,198, primarily due to increased depreciation expense reported on road projects (approximately \$19,000), roughly \$17,000 of additional road expenses during 2021 compared to 2019, and approximately \$11,000 of additional transfer station-related expenses during 2021. Property taxes also increased by \$65,342 when compared to the past as a result of the taxable valuation of the Township increasing by approximately 11.2% compared to 2019.

Business-type Activities. The operations of the Township's business-type activities for the current fiscal year increased overall net position by \$11,119 for an ending balance of \$245,556. The increase in net position for 2021 was less than the 2019 increase in net position of \$51,402. This is a result of charges for services decreasing by \$39,272 as tap-in revenues were \$45,500 less in 2021 compared to 2019 due to the timing of connections made to the Township's sewer system.

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.

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 \$726,546. 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 201.6% of total general fund expenditures.

The fund balance of the Township's general fund increased by \$98,454 during the current fiscal year for an ending balance of \$917,057. Both revenue and expense activity was very similar in comparison to the past with only marginal increases in both property tax revenue and general government expenditures.

The secondary road fund, a major fund, had an increase of \$122,913 in fund balance during the current fiscal year which put the overall fund balance at \$325,690. The increase in fund balance is a result of decreased road projects during the year, in addition to an increase in tax revenues.

The road fund, a major fund, had an increase of \$162,402 in fund balance during the current fiscal year which put the overall fund balance at \$388,340. The increase in fund balance is a result of decreased total expenditures and an increase in property tax revenue.

The fire operating fund, a major fund, had an increase of \$26,415 in fund balance during the current fiscal year which put the overall fund balance at \$164,429. The increase in fund balance is a result of decreased operating expenditures and an increase in property tax revenue.

The fire sinking fund, a major fund, had an increase of \$39,416 in fund balance during the current fiscal year which put the overall fund balance at \$308,584. The increase in fund balance is a result of decreased capital outlay expenditures and an increase in property tax revenue.

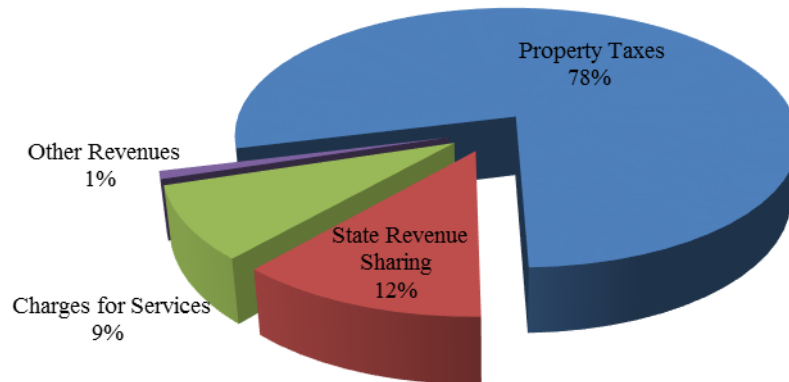
Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the sewer fund at the end of the year was a deficit of \$(24,506). The increase in overall net position for the sewer fund was \$11,119. The reasons for the change net position is as described in the previous sections of this report.

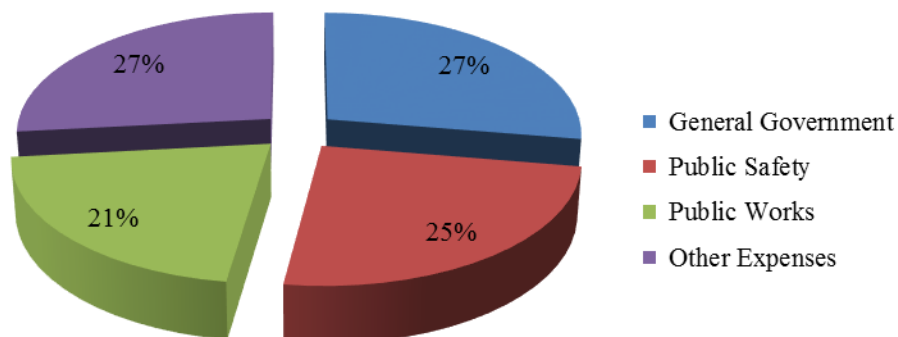
Governmental Activities

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

Governmental Activities Revenues



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 most departments experienced minor changes in the final amended budget compared to the amounts originally appropriated, with the

exception of capital outlay. Capital outlay expenditures were decreased from \$121,00 to \$12,000 as a result of capital outlay purchases being delayed into the subsequent fiscal year.

Final budget compared to actual results. The Township had no expenditures in excess of the amount appropriated during the year ended March 31, 2021.

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2021 amounts to \$3,006,018 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, equipment, vehicles, and sewer infrastructure. The total increase in capital assets for the current fiscal year, compared to the most recently audited fiscal year, was approximately 5.1% because of significant capital asset additions being greater than depreciation expense. More detailed information can be found in Note 5 to the financial statements.

Long-term Debt

As described in Note 6 to the financial statements, the Township had \$975,000 in long-term debt outstanding as of March 31, 2021. This is a decrease of \$78,000 compared to the most recently audited figures and is due to the regularly scheduled payments of principal made by the Township.

Economic Condition and Outlook

Management estimates that \$449,357 of revenues will be available for appropriation in the general fund in the upcoming budget. Expenditures are expected to change by small amounts compared to 2021 with the exception of an increase in budgeted capital outlay expenditures. 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.

Additionally, the Township Board is currently working to determine the significance that the COVID-19 Pandemic will have on the Township's upcoming revenues and expenditures, including an estimated \$147,269 of American Rescue Plan Act funds which are available to the Township for expenditure for various public safety reimbursements and infrastructure projects through 2024.

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:

Township of Melrose
Township Clerk
P.O. Box 189
Walloon Lake, Michigan 49796.

BASIC FINANCIAL STATEMENTS

Township of Melrose
Statement of Net Position
March 31, 2021

	Primary Government			Component Unit -
	Governmental	Business-type	Total	DDA
	Activities	Activities		
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 2,145,664	\$ 86,765	\$ 2,232,429	\$ 240,025
Accounts Receivable	--	7,059	7,059	--
Current Portion of Note Receivable	10,000	--	10,000	--
Due from Other Governments	34,554	--	34,554	--
Total Current Assets	2,190,218	93,824	2,284,042	240,025
<i>Noncurrent Assets</i>				
Restricted Cash, Bond Reserve	--	9,452	9,452	--
Restricted Cash, Bond RRI	--	13,276	13,276	--
Capital Assets not Being Depreciated	512,877	40,317	553,194	--
Capital Assets Being Depreciated, Net	1,740,807	712,017	2,452,824	579,601
Total Assets	4,443,902	868,886	5,312,788	819,626
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	8,740	3,486	12,226	2,500
Accrued Liabilities	26,383	140	26,523	306
Unearned Revenues	--	33,915	33,915	--
Accrued Interest	8,323	789	9,112	4,417
Current Portion of Long-term Debt	35,000	9,000	44,000	35,000
Total Current Liabilities	78,446	47,330	125,776	42,223
<i>Noncurrent Liabilities</i>				
Long-term Debt	435,000	496,000	931,000	385,000
Internal Balances	(80,000)	80,000	--	--
Total Liabilities	433,446	623,330	1,056,776	427,223
NET POSITION				
Net Investment in Capital Assets	1,783,684	247,334	2,031,018	159,601
<i>Restricted for:</i>				
Debt Service	73,037	--	73,037	--
Roads	714,030	--	714,030	--
Fire Operations	164,429	--	164,429	--
Ambulance Services	47,958	--	47,958	--
Capital Projects	308,584	--	308,584	--
USDA Bond Reserve	--	9,452	9,452	--
USDA Bond RRI	--	13,276	13,276	--
<i>Unrestricted</i>	918,734	(24,506)	894,228	232,802
Total Net Position	\$ 4,010,456	\$ 245,556	\$ 4,256,012	\$ 392,403

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

Township of Melrose
Statement of Activities
For the Year Ended March 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit - DDA
		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	\$ 173,546	\$ 8,370	\$ --	\$ --	\$ (165,176)	\$ --	\$ (165,176)	\$ --
Public Safety	154,900	5,900	4,000	--	(145,000)	--	(145,000)	--
Public Works	132,356	61,537	4,434	--	(66,385)	--	(66,385)	--
Health and Welfare	28,879	--	--	--	(28,879)	--	(28,879)	--
Community and Economic Development	37,073	11,269	--	--	(25,804)	--	(25,804)	--
Recreation and Culture	53,114	4,383	--	--	(48,731)	--	(48,731)	--
Legislative	29,046	--	--	--	(29,046)	--	(29,046)	--
Interest on Long-term Debt	19,550	--	--	--	(19,550)	--	(19,550)	--
Total Governmental Activities	628,464	91,459	8,434	--	(528,571)	--	(528,571)	--
Business-type Activities:								
Sewer Fund	50,478	61,394	--	--	--	10,916	10,916	--
Total Business-type Activities	50,478	61,394	--	--	--	10,916	10,916	--
Total Primary Government	\$ 678,942	\$ 152,853	\$ 8,434	\$ --	(528,571)	10,916	(517,655)	--
Component Unit								
DDA	\$ 63,369	\$ 1,891	\$ --	\$ --	--	--	--	(61,478)
Total Component Unit	\$ 63,369	\$ 1,891	\$ --	\$ --	--	--	--	(61,478)
General Purpose Revenues:								
Property Taxes					826,763	--	826,763	99,469
Interest Income					1,453	203	1,656	193
State Revenue Sharing					125,043	--	125,043	--
Total General Revenues					953,259	203	953,462	99,662
Change in Net Position					424,688	11,119	435,807	38,184
Net Position at Beginning of Period					3,585,768	234,437	3,820,205	354,219
Net Position at End of Period					\$ 4,010,456	\$ 245,556	\$ 4,256,012	\$ 392,403

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

**Township of Melrose
Balance Sheet
Governmental Funds
March 31, 2021**

		Special Revenue			Capital Projects		
	General	Secondary Road Fund	Road Fund	Fire Operating Fund	Fire Sinking Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 826,460	\$ 325,690	\$ 388,340	\$ 175,595	\$ 308,584	\$ 120,995	\$ 2,145,664
Current Portion of Note Receivable	--	--	--	--	10,000	--	10,000
Due from Other Governments	34,554	--	--	--	--	--	34,554
Advance to Sewer Fund	80,000	--	--	--	--	--	80,000
<i>Total Assets</i>	<u>\$ 941,014</u>	<u>\$ 325,690</u>	<u>\$ 388,340</u>	<u>\$ 175,595</u>	<u>\$ 318,584</u>	<u>\$ 120,995</u>	<u>\$ 2,270,218</u>
LIABILITIES							
Accounts Payable	\$ 8,740	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 8,740
Accrued Liabilities	15,217	--	--	11,166	--	--	26,383
<i>Total Liabilities</i>	23,957	--	--	11,166	--	--	35,123
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenues	--	--	--	--	10,000	--	10,000
<i>Total Liabilities and Deferred Inflows of Resources</i>	23,957	--	--	11,166	10,000	--	45,123
FUND BALANCE							
Nonspendable	80,000	--	--	--	--	--	80,000
Restricted	--	325,690	388,340	164,429	308,584	120,995	1,308,038
Assigned	110,511	--	--	--	--	--	110,511
Unassigned	726,546	--	--	--	--	--	726,546
<i>Total Fund Balance</i>	917,057	325,690	388,340	164,429	308,584	120,995	2,225,095
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	<u>\$ 941,014</u>	<u>\$ 325,690</u>	<u>\$ 388,340</u>	<u>\$ 175,595</u>	<u>\$ 318,584</u>	<u>\$ 120,995</u>	<u>\$ 2,270,218</u>

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

Township of Melrose
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
March 31, 2021

Total Fund Balance - Governmental Funds	\$ 2,225,095
General government capital assets of \$3,627,454, net of accumulated depreciation of \$1,373,770, are not financial resources and, accordingly, are not reported in the funds.	2,253,684
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, the interest expenditure is reported when due.	(8,323)
Long-term liabilities, including the current portion of long-term debt, are not payable in the current period and, therefore, are not reported in the funds.	(470,000)
Long-term receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.	10,000
Total Net Position - Governmental Activities	\$ <u>4,010,456</u>

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

Township of Melrose
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended March 31, 2021

		Special Revenue			Capital Projects		
	General	Secondary Road Fund	Road Fund	Fire Operating Fund	Fire Sinking Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	\$ 243,091	\$ 165,672	\$ 162,230	\$ 81,095	\$ 81,095	\$ 93,580	\$ 826,763
State Revenue Sharing	129,477	--	--	--	--	--	129,477
Contributions from Local Units	--	--	--	4,000	--	--	4,000
Charges for Services	78,873	--	--	--	--	--	78,873
Interest and Rentals	1,200	196	172	128	221	56	1,973
Other Revenue	6,166	--	--	5,900	10,000	--	22,066
Total Revenues	458,807	165,868	162,402	91,123	91,316	93,636	1,063,152
Expenditures							
Legislative	29,046	--	--	--	--	--	29,046
General Government	170,403	--	--	--	--	--	170,403
Public Safety	--	--	--	64,708	1,900	--	66,608
Public Works	77,590	24,123	--	--	--	--	101,713
Health and Welfare	--	--	--	--	--	28,879	28,879
Community and Economic Development	37,073	--	--	--	--	--	37,073
Recreation and Culture	28,498	--	--	--	--	--	28,498
Capital Outlay	17,743	18,832	--	--	50,000	--	86,575
Debt Service, Principal	--	--	--	--	--	30,000	30,000
Debt Service, Interest	--	--	--	--	--	20,081	20,081
Total Expenditures	360,353	42,955	--	64,708	51,900	78,960	598,876
Excess of Revenues Over (Under) Expenditures	98,454	122,913	162,402	26,415	39,416	14,676	464,276
Net Change in Fund Balance	98,454	122,913	162,402	26,415	39,416	14,676	464,276
<i>Fund Balance at Beginning of Period</i>	<i>818,603</i>	<i>202,777</i>	<i>225,938</i>	<i>138,014</i>	<i>269,168</i>	<i>106,319</i>	<i>1,760,819</i>
Fund Balance at End of Period	\$ 917,057	\$ 325,690	\$ 388,340	\$ 164,429	\$ 308,584	\$ 120,995	\$ 2,225,095

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

Township of Melrose
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended March 31, 2021

Total Net Change in Fund Balances - Governmental Funds	\$ 464,276
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.	531
Long-term debt payments are reported as financing uses in the governmental funds and thus contribute to the change in fund balance. However, debt payments reduce long-term debt on the statement of net position. This represents the amount of principal payments made during the year on long-term debt.	30,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the current year change in unavailable revenues within the fund statements.	(10,000)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures of \$86,575 is exceeded by depreciation expense of \$146,694.	(60,119)
Changes in Net Position - Governmental Activities	\$ <u>424,688</u>

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

**Township of Melrose
Statement of Net Position
Proprietary Fund
March 31, 2021**

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Sewer Fund</u>
ASSETS	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 86,765
Accounts Receivable	7,059
Total Current Assets	93,824
<i>Noncurrent Assets</i>	
Restricted Cash, Bond Reserve	9,452
Restricted Cash, Bond RRI	13,276
Capital Assets not Being Depreciated	40,317
Capital Assets Being Depreciated, Net	712,017
Total Assets	868,886
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	3,486
Accrued Liabilities	140
Unearned Revenues	33,915
Accrued Interest	789
Current Portion of Long-term Debt	9,000
Total Current Liabilities	47,330
<i>Noncurrent Liabilities</i>	
Long-term Debt	496,000
Advance from General Fund	80,000
Total Liabilities	623,330
NET POSITION	
Net Investment in Capital Assets	247,334
<i>Restricted for:</i>	
USDA Bond Reserve	9,452
USDA Bond RRI	13,276
<i>Unrestricted</i>	(24,506)
Total Net Position	\$ 245,556

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

Township of Melrose
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended March 31, 2021

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Sewer Fund</u>
Operating Revenues	
Charges for Services	\$ 61,394
<i>Total Operating Revenues</i>	<u>61,394</u>
Operating Expenses	
Operating Expenses	14,943
Salaries and Wages	1,666
Repairs and Maintenance	2,015
Contracted Services	110
Utilities	1,046
Insurance	185
Depreciation	19,474
Other	1,500
<i>Total Operating Expenses</i>	<u>40,939</u>
<i>Operating Income (Loss)</i>	<u>20,455</u>
Non-Operating Revenues (Expenses)	
Interest Income	203
Interest Expense	(9,539)
<i>Net Non-Operating Revenues (Expenses)</i>	<u>(9,336)</u>
<i>Change In Net Position</i>	<u>11,119</u>
<i>Net Position at Beginning of Period</i>	234,437
<i>Net Position at End of Period</i>	<u>\$ 245,556</u>

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

**Township of Melrose
Statement of Cash Flows
Proprietary Fund
For the Year Ended March 31, 2021**

	Business-type Activities - Enterprise Fund Sewer Fund
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 70,092
Cash Payments to Suppliers	(21,929)
Cash Payments to Employees	(1,661)
<i>Net Cash Provided by Operating Activities</i>	<u>46,502</u>
Cash Flows from Non-Capital and Related Financing Activities	
Unearned Revenues (Tap-in Fees)	33,915
Payment of Long-term Advance	(9,865)
<i>Net Cash Provided by Non-Capital and Related Financing Activities</i>	<u>24,050</u>
Cash Flows from Capital and Related Financing Activities	
Principal Payment on Long-term Debt	(9,000)
Interest Paid on Long-term Debt	(9,553)
<i>Net Cash Used by Capital and Related Financing Activities</i>	<u>(18,553)</u>
Cash Flows from Investing Activities	
Interest Income	203
<i>Net Cash Provided by Investing Activities</i>	<u>203</u>
Net Increase in Cash and Equivalents	52,202
<i>Cash and Equivalents - Beginning of Year</i>	57,291
<i>Cash and Equivalents - End of Year</i>	<u>\$ 109,493</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 20,455
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	19,474
Changes in Assets and Liabilities	
Accounts Receivable	8,698
Accounts Payable	(2,130)
Accrued Liabilities	5
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 46,502</u>
Cash Reconciliation	
Cash and Cash Equivalents	\$ 86,765
Restricted Cash, Bond Reserve	9,452
Restricted Cash, Bond RRI	13,276
<i>Total Cash and Equivalents</i>	<u>\$ 109,493</u>

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

Township of Melrose
Statement of Fiduciary Net Position
Fiduciary Fund
March 31, 2021

	<u>Custodial Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 3,505
<i>Total Assets</i>	<u>3,505</u>
LIABILITIES	
Undistributed Collections	3,505
<i>Total Liabilities</i>	<u>3,505</u>
NET POSITION	
Restricted for Individuals, Organizations, and Other Governments	\$ -

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

Township of Melrose
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended March 31, 2021

	<u>Custodial Fund</u>
Additions	
Taxes Collected for Other Governments	\$ 5,713,667
<i>Total Additions</i>	<u>5,713,667</u>
Deductions	
Payments of Property Taxes to Other Governments	5,713,667
<i>Total Deductions</i>	<u>5,713,667</u>
<i>Change in Net Position</i>	--
Net Position at Beginning of Period	--
<i>Net Position at End of Period</i>	<u>\$ --</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Township of Melrose

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Township of Melrose (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

The Township is a General Law Township located in Charlevoix County, Michigan. The Township operates under a Board-Supervisor form of government and provides the following services as authorized by common law: public safety (fire), highways and streets, sanitation, health and welfare (ambulance), culture-recreation, public improvements, planning and zoning, and general administrative services.

These financial statements only present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Township exercises oversight responsibility.

Discretely Presented Component Unit

Downtown Development Authority

The members of the governing board of the Downtown Development Authority are appointed by the Township Board. The budgets and expenditures of the Downtown Development Authority must be approved by the Township Board. 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.

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. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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

Township of Melrose

Notes to the Financial Statements

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, the proprietary fund, and the fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 government 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 expenditures are recorded only when payment is due.

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

The Township reports the following major governmental funds:

The ***general fund*** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes, state revenue sharing, and charges for services.

The ***secondary road fund*** accounts for taxes levied for the purpose of road construction and maintenance on all secondary roads.

Township of Melrose

Notes to the Financial Statements

The ***road fund*** accounts for taxes levied for the purpose of local and county road construction and maintenance.

The ***fire operating fund*** accounts for the financial resources used for the operational costs of the Township's fire department. Revenues are primarily derived from property taxes.

The ***fire sinking fund*** accounts for taxes levied for the purpose of acquiring fire equipment for the fire department.

The Township reports the following major proprietary fund:

The ***sewer fund*** accounts for the activities of the Township's sewage collection systems. Revenues are primarily derived from charges for services.

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 assigned to expenditure for specific purposes other than debt service or capital projects.

Custodial funds are custodial in nature and do not present results of operations or have a measurement focus. Custodial funds are accounted for using the accrual basis of accounting. These funds are used to account for asset that the government holds for others in an agency capacity (such as taxes collected for other governments).

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

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 are not meeting this definition are reported as nonoperating revenues and expenses.

Budgetary Basis of Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually.

Township of Melrose

Notes to the Financial Statements

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

1. The Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to the first day of the following fiscal year, the budget is legally enacted through the passage of a resolution.
4. The legal level of budgetary control is at the activity level for the general fund and the functional level for special revenue funds.
5. Budget appropriations lapse at year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621. Expenditures may not exceed appropriations. Any amendment to the original budget must meet the requirements of Public Act 621.

Assets, Liabilities, and Net Position

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand and demand deposits.

The Township treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- U.S. Treasury Bills – obligations of the United States Government sold at a discount from par with a specific maturity date up to a maximum of one year.
- Certificate of Deposit -CD- is a receipt of funds deposited in a financial institution for a specified period at a specified rate of interest with non-negotiable terms.
- Savings Account – a deposit evidenced by a passbook or monthly statement. Entries are made for each deposit and withdrawal and interest is paid in accordance with the policy of the financial institution.
- Commercial Paper – Short term unsecured debt obligation issued by a bank holding company, finance company, utility or industrial company to raise short term cash.
- Investment Pools – Those investment pools organized under the authority of the urban cooperation act of 1967, 1967 (Ex Sess)PA7 (MCL 124.501 to 124.512), the surplus funds investment pool act, 182 PA 367 (129.111 to 129.118) and the local government investment pool act, 1985 PA 121, (MCL 129.141 to 129.150). Those pools are managed

Township of Melrose

Notes to the Financial Statements

by contractual agreement contained in the inter-local agreement, banks and a township treasurer, respectively.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Accounts Receivables

All trade receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable.

Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded by the Township when the initial individual costs are greater than \$3,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Land improvements	20 years
Infrastructure	40 years
Equipment	7 to 10 years
Vehicles	10 years

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, 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 expensed in the period that the bond is issued.

Township of Melrose

Notes to the Financial Statements

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other 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 fund level balance sheet and the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance/net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Township recognized unavailable revenues in its fund level balance sheets for notes receivable collectible in subsequent periods.

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 of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can

Township of Melrose

Notes to the Financial Statements

establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

Unassigned fund balance is the residual classification for the Township's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Township's Board.

Property Tax Revenue Recognition

The Township property tax is levied on December 1 on the taxable valuation of property located in the Township as of the preceding December 31. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. It is the Township's policy to recognize revenues in the current year when they are levied and made available for the financing of Township operations. The Township considers property taxes levied on December 1 to be revenues of the current period.

The 2020 state taxable valuation of Melrose Township totaled \$173,362,498.

Township of Melrose

Notes to the Financial Statements

The tax rate for the year ended March 31, 2021 was as follows:

Purpose	Rate/Taxable Valuation	
General operations	0.9517	per \$1,000
2010 road	0.9792	per \$1,000
Secondary roads	1.0000	per \$1,000
Fire operations	0.4895	per \$1,000
Ambulance operations	0.2500	per \$1,000
Fire equipment	0.4895	per \$1,000
Debt	0.3000	per \$1,000

Use of Estimates

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

Subsequent Events and Commitments

The Township may 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 Board is currently working to determine the significance that the COVID-19 Pandemic will have on the Township's upcoming revenues and expenditures, including an estimated \$147,269 of American Rescue Plan Act funds which are available to the Township for expenditure for various public safety reimbursements and infrastructure projects through 2024.

The Board authorized a contract for a first responder truck in April 2020 in the amount of \$218,581, \$50,000 of which has been paid as of March 31, 2021 leaving a balance of \$171,206 (net of contractual add-ons).

The Board authorized a contract for Old State Road construction in April 2021 in the amount of \$466,700, none of which was paid prior to March 31, 2021.

The Board authorized a contract for a Third Street improvement project in August 2021 in the amount of \$109,936, none of which was paid prior to March 31, 2021.

Management is not aware of any other subsequent events that would have a significant impact on the financial condition of the Township.

Township of Melrose

Notes to the Financial Statements

Note 2 - Budgetary Compliance

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The Township had no expenditures in excess of the amount appropriated during the year ended March 31, 2021.

Unrestricted net position of the sewer fund was a deficit of \$24,506 as of March 31, 2021. However, total net position of the sewer fund is a positive \$245,556 and current assets exceed current liabilities. Accordingly, the Township's sewer fund is compliant with Treasury Numbered Letter 2016-1.

Note 3 - Cash and Cash Equivalents

Following is a reconciliation of the demand deposit balances as of March 31, 2021:

	Primary Government	Component Unit	Total
Statement of Net Position			
Cash and cash equivalents	\$ 2,232,429	\$ 240,025	\$ 2,472,454
Restricted cash	22,728	-	22,728
Statement of Fiduciary Net Position			
Cash and cash equivalents	3,505	-	3,505
Total Deposits	<u>\$ 2,258,662</u>	<u>\$ 240,025</u>	<u>\$ 2,498,687</u>
Deposits			
Checking and savings accounts	<u>\$ 2,258,662</u>	<u>\$ 240,025</u>	<u>\$ 2,498,687</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, \$1,750,835 of the Township's bank balance of \$2,504,340 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 insurance, 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.

Township of Melrose

Notes to the Financial Statements

Note 4 - Interfund Receivables and Payables

Interfund receivables and payables as reported in the financial statements were comprised of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer	\$ 80,000

In the prior years, the general fund transferred monies to the sewer fund for construction work on the sewer system. The sewer fund is to repay the remaining amount back to the general fund with the tap-in fees that it collects when it hooks up new customers. As a result, this interfund balance is classified as a long-term advance receivable and payable.

Note 5 - Capital Assets

Capital asset activity for governmental activities for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 504,402	\$ -	\$ -	\$ 504,402
Construction in progress	-	8,475	-	8,475
Subtotal	504,402	8,475	-	512,877
Capital assets being depreciated:				
Buildings	1,017,163	-	-	1,017,163
Land improvements	1,118,615	24,300	-	1,142,915
Equipment	208,606	3,800	(16,742)	195,664
Vehicles	708,835	50,000	-	758,835
Subtotal	3,053,219	78,100	(16,742)	3,114,577
Accumulated depreciation:				
Buildings	375,079	25,429	-	400,508
Land improvements	293,815	56,267	-	350,082
Equipment	137,739	9,594	(16,742)	130,591
Vehicles	437,185	55,404	-	492,589
Subtotal	1,243,818	146,694	(16,742)	1,373,770
Net capital assets being depreciated	1,809,401	(68,594)	-	1,740,807
Net capital assets	\$ 2,313,803	\$ (60,119)	\$ -	\$ 2,253,684

Township of Melrose

Notes to the Financial Statements

Depreciation expense for governmental activities was charged to the following functions:

General Government	\$	3,143
Public Safety		88,292
Public Works		30,643
Recreation and Culture		24,616
Total Depreciation Expense	\$	146,694

Capital asset activity for the business-type activities for the current year was as follows:

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 37,375	\$ -	\$ -	\$ 37,375
Construction in progress	2,942	-	-	2,942
Subtotal	40,317	-	-	40,317
Capital assets being depreciated:				
Infrastructure	778,956	-	-	778,956
Accumulated depreciation:				
Infrastructure	47,465	19,474	-	66,939
Net capital assets being depreciated	731,491	(19,474)	-	712,017
Net capital assets	\$ 771,808	\$ (19,474)	\$ -	\$ 752,334

Depreciation expense of \$19,474 was charged to the sewer fund.

Capital asset activity for the component unit (DDA) for the current year was as follows:

Downtown Development Authority	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated:				
Land improvements	\$ 65,842	\$ -	\$ -	\$ 65,842
Infrastructure	581,315	8,370	-	589,685
Other Capital Assets	-	42,930	-	42,930
Subtotal	647,157	51,300	-	698,457
Accumulated depreciation:				
Land improvements	13,294	3,292	-	16,586
Infrastructure	71,712	29,485	-	101,197
Other Capital Assets	-	1,073	-	1,073
Subtotal	85,006	33,850	-	118,856
Net capital assets being depreciated	562,151	17,450	-	579,601
Net capital assets	\$ 562,151	\$ 17,450	\$ -	\$ 579,601

Township of Melrose

Notes to the Financial Statements

Depreciation expense of \$33,850 was charged to the community and economic development function of the DDA.

Note 6 - Long-term Debt

The Township's long-term debt consisted of the following:

Governmental Activities

\$995,000, 2004 USDA General Obligation bonds due in annual installments of \$20,000 to \$55,000 through May 1, 2013, with semi-annual interest at 4.25%.

Business-type Activity

\$540,000, 2016 USDA General Obligation bonds due in annual installments of \$8,000 to \$21,000 through September 1, 2056, with semi-annual interest at 1.875%.

Component Unit

\$550,000, 2016 Limited Tax General Obligation bonds due in annual installments of \$30,000 to \$45,000 through May 1, 2032, with semi-annual interest ranging from 1.10% to 3.15%.

The following is a summary of the Township's long-term debt transactions for the year ended March 31, 2021:

	Beginning Balance	Reductions	Ending Balance	Amount Due Within One Year
Governmental Activities				
2004 USDA General Obligation bonds	\$ 500,000	\$ (30,000)	\$ 470,000	\$ 35,000
Business-type Activity				
2016 USDA General Obligation bonds	\$ 514,000	\$ (9,000)	\$ 505,000	\$ 9,000
Component Unit (DDA)				
2016 Limited Tax General Obligation bonds	\$ 455,000	\$ (35,000)	\$ 420,000	\$ 35,000

Township of Melrose

Notes to the Financial Statements

Annual service requirements to maturity are scheduled below:

Year Ending March 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 35,000	\$ 19,231	\$ 54,231	\$ 9,000	\$ 9,384	\$ 18,384
2023	35,000	17,744	52,744	9,000	9,216	18,216
2024	35,000	16,256	51,256	10,000	9,038	19,038
2025	40,000	14,663	54,663	10,000	8,850	18,850
2026	40,000	12,963	52,963	10,000	8,663	18,663
2027 - 2031	230,000	37,188	267,188	54,000	40,350	94,350
2032 - 2036	55,000	1,168	56,168	61,000	34,959	95,959
2037 - 2041	-	-	-	68,000	28,931	96,931
2042 - 2046	-	-	-	75,000	22,247	97,247
2047 - 2051	-	-	-	102,000	15,891	117,891
2052 - 2056	-	-	-	97,000	5,587	102,587
	<u>\$ 470,000</u>	<u>\$ 119,213</u>	<u>\$ 589,213</u>	<u>\$ 505,000</u>	<u>\$ 193,116</u>	<u>\$ 698,116</u>

Year Ending March 31	Component Unit - DDA		
	Principal	Interest	Total
2022	\$ 35,000	\$ 10,320	\$ 45,320
2023	35,000	9,725	44,725
2024	35,000	9,051	44,051
2025	35,000	8,307	43,307
2026	35,000	7,502	42,502
2027 - 2031	200,000	22,310	222,310
2032 - 2036	45,000	709	45,709
Totals	<u>\$ 420,000</u>	<u>\$ 67,924</u>	<u>\$ 487,924</u>

Note 7 - Restricted Cash

The Sewer Fund maintains restricted cash accounts in accordance with the Sewage Disposal System Revenue Bond ordinances as follows:

	March 31, 2021	
	Required Balance	Actual Balance
Bond Reserve Account		
This account is used to accumulate cash to be used solely for payment of principal and interest on the bonds as to which would otherwise be in default. An amount of \$525 per quarter is to be set aside until there is \$21,000 in the account.	\$ 9,450	\$ 9,452
Repair, Replacement, and Improvement Account		
This account is used to accumulate cash to be used for sewage system repairs, replacements, improvements and when necessary to make payments of principal and interest on the bonds. An amount of \$1,238 per quarter is to be deposited into this account, less the amounts, if any, deposited in the Bond Reserve Account for the same quarter.	13,273	13,276
Totals	<u>\$ 22,723</u>	<u>\$ 22,728</u>

Township of Melrose

Notes to the Financial Statements

Note 8 - Fund Balance Classifications

Amounts for specific purposes by fund and fund balance classifications for the year ended March 31, 2021 are as follows:

Classification/Fund	Purpose	Actual
<i>Nonspendable</i>		
General	Interfund advance	\$ 80,000
<i>Restricted</i>		
Secondary Road	Roads	325,690
2010 Road	Roads	388,340
Fire Operating	Fire operations	164,429
Ambulance	Ambulance services	47,958
Fire Sinking	Capital projects	308,584
Fire Hall Debt Retirement	Debt service	73,037
Total Restricted		1,308,038
<i>Assigned</i>		
General	Subsequent year budget	110,511
<i>Unassigned</i>		
General		726,546
Total Fund Balance		\$ 2,225,095

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability, property and casualty, and workers' compensation are managed through purchased commercial insurance. Insurance coverage has not changed significantly and settled claims for the insurance policy have not exceeded the amount of coverage in the past three fiscal years.

Note 10 - Note Receivable

The note receivable consisted of a note receivable from Chandler Township in annual installments of \$10,000, from October 10, 2017 through October 1, 2022, totaling \$50,000. The note receivable is a result of a purchase agreement with Chandler Township for the sale of the Township's 1997 KME Pumper Truck and the 2006 Freightliner 2000 Gallon Tanker.

As of March 31, 2021, the remaining balance of the note receivable was \$10,000 with the full amount being unavailable revenue and listed as a deferred inflow of resources on the fund financial statements.

Township of Melrose

Notes to the Financial Statements

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 Melrose
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended March 31, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Property Taxes	\$ 236,896	\$ 242,633	\$ 243,091	\$ 458
State Revenue Sharing	128,000	127,500	129,477	1,977
Charges for Services	63,000	77,963	78,873	910
Interest and Rentals	3,000	1,170	1,200	30
Other Revenue	--	5,869	6,166	297
Total Revenues	430,896	455,135	458,807	3,672
Expenditures				
Board, Legislative	24,000	30,075	29,046	1,029
General Government				
Supervisor	18,585	18,600	18,280	320
Clerk	37,985	32,000	30,408	1,592
Information Technology	11,775	13,475	13,424	51
Board of Review	1,600	975	867	108
Treasurer	26,370	24,785	24,624	161
Assessor	28,000	26,300	26,002	298
Elections	6,850	4,500	4,350	150
Building and Grounds	15,200	12,100	11,127	973
Township Property	6,700	6,100	5,824	276
Legal	10,500	1,800	1,324	476
Cemetery	3,900	3,425	3,270	155
Other General Government	31,042	31,500	30,903	597
Total General Government	198,507	175,560	170,403	5,157
Public Works				
Street Lighting	5,400	5,625	5,581	44
Transfer Station	62,800	71,600	69,703	1,897
Other Public Works	2,100	2,400	2,306	94
Total Public Works	70,300	79,625	77,590	2,035
Planning and Zoning	39,925	37,325	37,073	252
Recreation and Culture				
Parks	25,600	29,200	28,861	339
Boat Launch	6,450	5,550	5,457	93
Total Recreation and Culture	32,050	34,750	34,318	432
Capital Outlay	121,800	12,000	11,923	77
Total Expenditures	486,582	369,335	360,353	8,982
Excess (Deficiency) of Revenues				
Over Expenditures	(55,686)	85,800	98,454	12,654
Net Change in Fund Balance	(55,686)	85,800	98,454	12,654
Fund Balance at Beginning of Period	818,603	818,603	818,603	--
Fund Balance at End of Period	\$ 762,917	\$ 904,403	\$ 917,057	\$ 12,654

Township of Melrose
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Secondary Road Fund
For the Year Ended March 31, 2021

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 166,154	\$ 165,667	\$ 165,672	\$ 5
Interest and Rentals	290	185	196	11
Total Revenues	166,444	165,852	165,868	16
Expenditures				
Public Works	15,000	24,125	24,123	2
Capital Outlay	--	19,400	18,832	568
Total Expenditures	15,000	43,525	42,955	570
Excess (Deficiency) of Revenues Over Expenditures	151,444	122,327	122,913	586
Net Change in Fund Balance	151,444	122,327	122,913	586
<i>Fund Balance at Beginning of Period</i>	<i>202,777</i>	<i>202,777</i>	<i>202,777</i>	<i>--</i>
Fund Balance at End of Period	\$ 354,221	\$ 325,104	\$ 325,690	\$ 586

Township of Melrose
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Road Fund
For the Year Ended March 31, 2021

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 162,727	\$ 162,194	\$ 162,230	\$ 36
Interest and Rentals	70	165	172	7
Total Revenues	162,797	162,359	162,402	43
Expenditures				
Capital Outlay	120,000	--	--	--
Total Expenditures	120,000	--	--	--
Excess (Deficiency) of Revenues Over Expenditures	42,797	162,359	162,402	43
Net Change in Fund Balance	42,797	162,359	162,402	43
<i>Fund Balance at Beginning of Period</i>	<i>225,938</i>	<i>225,938</i>	<i>225,938</i>	<i>--</i>
Fund Balance at End of Period	\$ 268,735	\$ 388,297	\$ 388,340	\$ 43

Township of Melrose
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Fire Operating Fund
For the Year Ended March 31, 2021

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 81,355	\$ 81,047	\$ 81,095	\$ 48
Contributions from Local Units	4,000	4,000	4,000	--
Interest and Rentals	130	120	128	8
Other Revenue	--	5,900	5,900	--
Total Revenues	85,485	91,067	91,123	56
Expenditures				
Public Safety	102,989	69,194	64,708	4,486
Total Expenditures	102,989	69,194	64,708	4,486
Excess (Deficiency) of Revenues Over Expenditures	(17,504)	21,873	26,415	4,542
Net Change in Fund Balance	(17,504)	21,873	26,415	4,542
<i>Fund Balance at Beginning of Period</i>	138,014	138,014	138,014	--
Fund Balance at End of Period	\$ 120,510	\$ 159,887	\$ 164,429	\$ 4,542

OTHER SUPPLEMENTARY INFORMATION

**Township of Melrose
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2021**

	<u>Special Revenue</u>	<u>Debt Service</u>	
	<u>Ambulance Fund</u>	<u>Fire Hall Debt Retirement Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 47,958	\$ 73,037	\$ 120,995
<i>Total Assets</i>	<u>\$ 47,958</u>	<u>\$ 73,037</u>	<u>\$ 120,995</u>
FUND BALANCE			
Restricted	47,958	73,037	120,995
Unassigned	--	--	--
<i>Total Fund Balance</i>	<u>\$ 47,958</u>	<u>\$ 73,037</u>	<u>\$ 120,995</u>

Township of Melrose
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2021

	<u>Special Revenue</u>	<u>Debt Service</u>	
	<u>Ambulance Fund</u>	<u>Fire Hall Debt Retirement Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Property Taxes	\$ 41,408	\$ 52,172	\$ 93,580
Interest and Rentals	24	32	56
<i>Total Revenues</i>	41,432	52,204	93,636
Expenditures			
Health and Welfare	28,879	--	28,879
Debt Service, Principal	--	30,000	30,000
Debt Service, Interest	--	20,081	20,081
<i>Total Expenditures</i>	28,879	50,081	78,960
<i>Excess of Revenues Over (Under) Expenditures</i>	12,553	2,123	14,676
<i>Net Change in Fund Balance</i>	12,553	2,123	14,676
<i>Fund Balance at Beginning of Period</i>	35,405	70,914	106,319
<i>Fund Balance at End of Period</i>	\$ 47,958	\$ 73,037	\$ 120,995

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 Township Board
Melrose Township
Walloon Lake, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Melrose (the "Township"), as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated September 10, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, MI
September 10, 2021

September 10, 2021

To the Township Board
Melrose Township
Walloon Lake, Michigan

We have audited the financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Melrose (the "Township") for the year ended March 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 March 19, 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 March 31, 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 estimate affecting the Township's financial statements was:

Management's estimate of the current year capital asset depreciation expense is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the current year capital asset depreciation expense in determining that the depreciation expense, and ending net book value of the underlying assets, are 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. All misstatements were immaterial to the financial statements.

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 September 10, 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 and the 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 and individual nonmajor fund financial statements, 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 use of the Township Board 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 particularly stylized.

Gabridge & Company, PLC
Grand Rapids, MI