

**HOMESTEAD TOWNSHIP, BENZIE COUNTY**

**HONOR, MICHIGAN**

**MARCH 31, 2022**



**Baird, Cotter & Bishop, P.C.**  
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS  
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749  
[www.bcbcpa.com](http://www.bcbcpa.com)



HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

MARCH 31, 2022

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August 15, 2022

## INDEPENDENT AUDITOR'S REPORT

To the Township Board  
Homestead Township  
Benzie County  
Honor, Michigan

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Homestead Township, Benzie County, Honor, Michigan as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Homestead Township, as of March 31, 2022, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv through x and 22 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2022, on our consideration of Homestead Township, Michigan'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 Homestead Township, Michigan'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 Homestead Township, Michigan's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# HOMESTEAD TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR FISCAL YEAR ENDED MARCH 31, 2022

#### **Management's Discussion and Analysis**

As management of Homestead Township, 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, 2022. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

#### **Financial Highlights**

- ❖ The assets of Homestead Township exceeded its liabilities at the close of the most recent fiscal year by \$1,554,791 (*net position*). Of this amount, \$615,407 represents unrestricted net position, which may be used to meet the Township's ongoing obligations to citizens and creditors.
- ❖ At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$848,832, a decrease of \$8,010 in comparison with the prior year.
- ❖ The General Fund increased its fund balance by \$56,567 to \$481,815
- ❖ The Township's total outstanding long-term debt decreased by \$44,107 during the current fiscal year.

#### **Overview of the Financial Statements**

This discussion and analysis provided here are intended to serve as an introduction to Homestead 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) notes to the financial statements. The 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, liabilities, and deferred inflows/outflows of resources, 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. An increase in net position would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net position may indicate a decline in the financial health of an organization.

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 periods.

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



HOMESTEAD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2022

intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, community and economic development, recreation and culture, and other functions. The Township supports no business-type activities.

The government-wide financial statements can be found on pages 1-3 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 five 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, Fire Fund, Road Improvement Fund, Parks and Recreation Fund, and Fire Equipment Fund, which are considered to be major funds.

The Township adopts an annual budget for all required funds. A budgetary comparison has been provided for all required funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4-7 of this report.

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

The fiduciary fund financial statements can be found on pages 8-9 of this report.

HOMESTEAD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2022

**Notes to the Financial Statements** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the governmental-wide and fund financial statements. The notes can be found on pages 10-21 of this report.

**Other Information** In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* (RSI) that explains and supports the information presented in the financial statements.

**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 Homestead Township, assets exceeded liabilities by \$1,554,791 at the close of the most recent fiscal year.

*Homestead Township  
Net Position as of March 31,*

	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2020</b>
Current Assets	\$ 975,570	\$ 727,747
Capital Assets	850,723	814,972
<b>Total Assets</b>	<b>1,826,293</b>	<b>1,542,719</b>
Current Liabilities	176,442	75,800
Long-Term Liabilities	95,060	184,612
<b>Total Liabilities</b>	<b>271,502</b>	<b>260,412</b>
Net Position		
Net Investment in		
Capital Assets	710,218	581,972
Restricted	229,166	153,565
Unrestricted	615,407	546,770
<b>Total Net Position</b>	<b>\$ 1,554,791</b>	<b>\$ 1,282,307</b>

A portion of the Township's net position of \$710,218 reflects its net investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), 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. The second largest portion of the Township's net position of \$615,407 reflects unrestricted resources that may be used to meet

HOMESTEAD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2022

the Township's ongoing obligations to its citizens and creditors. The remaining balance of \$229,166 represents resources that are subject to external restrictions.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental activities.

The total net position of the Township increased by \$154,717 in this fiscal year.

The following table illustrates and summarizes the results of the changes in the net position for the Township. The condensed information was derived from the Government-Wide *Statement of Activities*.

*Homestead Township  
Change in Net Position  
for the Fiscal Year Ended March 31,*

	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2020</b>
<b><u>Revenues</u></b>		
<b>Program Revenues</b>		
Charges for Services	\$ 7,995	\$ 2,918
Operating Grants and Contributions	40,258	37,279
Capital Grants and Contributions	140,058	0
<b>General Revenues</b>		
Taxes	225,682	209,454
State Grants	213,684	182,049
Interest Earnings	321	1,321
Other	38,043	7,102
<b>Total Revenues</b>	<b>666,041</b>	<b>440,123</b>
<b><u>Expenses</u></b>		
General Government	197,289	176,227
Public Safety	177,631	127,520
Public Works	16,733	7,021
Community and Economic Development	32,981	22,026
Recreation and Culture	63,956	27,695
Interest on Long-Term Debt	4,259	1,316
Other Functions	18,475	17,493
<b>Total Expenses</b>	<b>511,324</b>	<b>379,298</b>
Change in Net Position	154,717	60,825
Beginning Net Position	1,400,074	1,221,482
Ending Net Position	\$ 1,554,791	\$ 1,282,307

HOMESTEAD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2022

**Governmental Activities**

During the fiscal year ended March 31, 2022, the Township's net position increased by \$154,717. The increase is represented by spending less than revenues received.

The most significant part of the revenue for all governmental activities of the Township comes from property taxes. The Township levied a millage for fire protection and fire equipment, in addition to the operating millages, this fiscal year. The Township levied 0.8744 mills for operating purposes, 0.9673 mills for fire protection, and 0.4836 mills for fire equipment.

State-shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by general government expenses that total \$197,289. Public safety represented the next largest expense at \$177,631.

**Financial Analysis of the Government's Funds**

As noted earlier, Homestead Township 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 Board.

At March 31, 2022, the Township's governmental funds reported combined fund balances of \$848,832, a decrease of \$8,010 in comparison with the prior year. Approximately 54% of this amount (\$461,352) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form (\$10,597), 2) legally required to be maintained intact, 3) restricted for particular purposes (\$229,166), 4) committed for particular purposes (\$147,717), or 5) assigned for particular purposes.

**General Fund** – The General Fund increased its fund balance by \$56,567 which brings the fund balance to \$481,815. Of this amount, \$6,997 is nonspendable for prepaid expenditures, \$13,466 is restricted for road improvements, and the remainder of \$461,352 is unassigned. The increase in fund balance is due to an increase in state grants and conservative spending by the Township.

**Fire Fund** – The Fire Fund receives funding from Platte Township, in addition to property tax revenue. The fund increased its fund balance by \$27,830 which brings the fund balance to \$173,745, of which \$3,600 is nonspendable for prepaid expenditures. The remaining balance of \$170,145 is restricted and must be used for fire protection. The increase in fund balance is due to tax revenue and contributions from local units exceeding fire protection expenditures.

HOMESTEAD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2022

**Road Improvement Fund** – The Road Improvement Fund decreased its fund balance by \$6,582 which brings the fund balance to \$147,151, all of which is committed for road improvements. The decrease in fund balance is due to bringing expenditures and no revenue or transfer in this year.

**Parks and Recreation Fund** – The Parks and Recreation Fund decreased its fund balance by \$1,323, ending the year with \$566 of fund balance, which is committed for parks and recreation. The primary reason for the decrease is due to spending more than revenue collected.

**Fire Equipment Fund** – The Fire Equipment Fund decreased its fund balance by \$84,502 which brings the fund balance to \$45,555, which is restricted for fire equipment and improvements. The decrease is attributed to fire equipment expenditures including the purchase of a new fire truck exceeding funding from Platte Township, property taxes, and donations.

**General Fund Budgetary Highlights**

A detailed summary budget can be found on page 22 of this report.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	<u>\$ 94,822</u>	<u>\$ 210,723</u>	<u>\$ 373,821</u>
Total Expenditures	<u>\$ 374,303</u>	<u>\$ 381,803</u>	<u>\$ 292,254</u>

During the fiscal year, the Township amended its budgeted revenues to include state shared revenue. There were also various amendments to expenditures including an increase in Buildings and Grounds, Parks and Recreation and a decrease to Township Board.

The primary reason for the variance between budgeted expenditures and the actual expenditures is because the Township came in significantly under budget in Township Board, Buildings and Grounds, Planning and Zoning, and Insurance and Bonds. The primary reason for the variance between budgeted revenues and the actual revenues is due to the Township receiving more in Taxes, State Grants, and Other Revenue than expected.

**Capital Assets** The Township's investment in capital assets for governmental activities as of March 31, 2022, amounted to \$850,723 net of accumulated depreciation.

HOMESTEAD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2022

Capital assets summarized below include any items purchased with a cost greater than \$2,500 and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

*Homestead Township  
Capital Assets as of March 31,*

	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2020</b>
Land	\$ 160,354	\$ 160,354
Buildings	545,245	545,245
Land Improvements	299,888	296,838
Vehicles	927,209	932,148
Equipment	273,413	265,139
	<hr/> 2,206,109	<hr/> 2,199,724
Less: Accumulated Depreciation	(1,355,386)	(1,384,752)
	<hr/> <hr/>	<hr/> <hr/>
Net Capital Assets	\$ 850,723	\$ 814,972

The major capital asset additions during the year were the purchase of a fire truck totaling \$191,555 and a brush truck and trailer totaling \$38,259, of which \$9,240 was construction in progress in the prior year.

**Long-Term Obligations** As of March 31, 2022, the Township had total debt outstanding of \$95,060. More information on the Township's long-term debt is available in the Notes to Financial Statements section of this document.

**Economic Condition and Outlook**

The following Economic factors currently affect the Township and were considered in developing the 2022/2023 budget:

- The Township received approximately \$108,500 for its first tranche of ARPA funding and expects to receive an additional \$108,500 in 2022-2023. The Township Board is evaluating how to best utilize these funds to provide the optimal benefits to the Township residents. These funds need to be allocated by December 2024.
- The Township continues to look for ways to improve the services it provides to its residents in a manner that is financially responsible.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Homestead Township at P.O. Box 315, Honor, Michigan 49640-0315.

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

STATEMENT OF NET POSITION  
MARCH 31, 2022

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 898,390
Receivables	
Taxes	16,305
Due from Other Governments	50,278
Prepaid Expenses	10,597
	<hr/>
Total Current Assets	975,570
	<hr/>
<u>CAPITAL ASSETS</u>	
Land	160,354
Buildings	545,245
Land Improvements	299,888
Vehicles	927,209
Equipment	273,413
	<hr/>
	2,206,109
Less Accumulated Depreciation	1,355,386
Net Capital Assets	850,723
	<hr/>
	<hr/>
TOTAL ASSETS	1,826,293
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	265
Accrued Payroll	14,948
Payroll Withholdings Payable	2,599
Accrued Interest	4,259
Unearned Revenue	108,926
Current Portion of Long-Term Debt	45,445
	<hr/>
Total Current Liabilities	176,442
	<hr/>

The accompanying notes are an integral part of the financial statements.

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

STATEMENT OF NET POSITION  
MARCH 31, 2022

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>LONG-TERM LIABILITIES</u>	
Installment Purchase Agreement Payable - Net of Current Portion	<u>95,060</u>
Total Long-Term Liabilities	<u>95,060</u>
 TOTAL LIABILITIES	 <u>271,502</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	710,218
Restricted for:	
Fire Protection	170,145
Fire Equipment and Improvements	45,555
Road Improvements	13,466
Unrestricted	<u>615,407</u>
 TOTAL NET POSITION	 <u>\$          1,554,791</u>

The accompanying notes are an integral part of the financial statements.



HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2022

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
<u>GOVERNMENTAL ACTIVITIES</u>					
General Government	\$ 197,289	\$ 7,995	\$ 0	\$ 0	\$ (189,294)
Public Safety	177,631	0	30,990	140,058	(6,583)
Public Works	16,733	0	9,268	0	(7,465)
Community and Economic Development	32,981	0	0	0	(32,981)
Recreation and Culture	63,956	0	0	0	(63,956)
Interest on Long-Term Debt	4,259	0	0	0	(4,259)
Other Functions	18,475	0	0	0	(18,475)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 511,324</b>	<b>\$ 7,995</b>	<b>\$ 40,258</b>	<b>\$ 140,058</b>	<b>(323,013)</b>
<u>GENERAL REVENUES</u>					
					225,682
Taxes					213,684
State Grants					321
Interest Earnings					38,043
Other					477,730
Total General Revenues					154,717
Change in Net Position					1,400,074
<u>NET POSITION</u> - Beginning of Year					\$ 1,554,791
<u>NET POSITION</u> - End of Year					\$ 1,554,791

The accompanying notes are an integral part of the financial statements.

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
MARCH 31, 2022

SPECIAL REVENUE FUNDS

	<u>SPECIAL REVENUE FUNDS</u>					<u>TOTALS</u>
	<u>GENERAL FUND</u>	<u>FIRE FUND</u>	<u>ROAD IMPROVEMENT FUND</u>	<u>PARKS AND RECREATION FUND</u>	<u>FIRE EQUIPMENT FUND</u>	
<u>ASSETS</u>						
Cash	\$ 503,608	\$ 178,584	\$ 147,151	\$ 831	\$ 68,216	\$ 898,390
Taxes Receivable	7,180	6,084	0	0	3,041	16,305
Due from Other Governments	50,278	0	0	0	0	50,278
Due from Other Funds	36,501	0	0	0	0	36,501
Prepaid Expenditures	6,997	3,600	0	0	0	10,597
<b>TOTAL ASSETS</b>	<b>\$ 604,564</b>	<b>\$ 188,268</b>	<b>\$ 147,151</b>	<b>\$ 831</b>	<b>\$ 71,257</b>	<b>\$ 1,012,071</b>
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 265	\$ 0	\$ 265
Due to Other Funds	0	10,799	0	0	25,702	36,501
Accrued Payroll	11,224	3,724	0	0	0	14,948
Payroll Withholdings Payable	2,599	0	0	0	0	2,599
Unearned Revenue	108,926	0	0	0	0	108,926
<b>Total Liabilities</b>	<b>122,749</b>	<b>14,523</b>	<b>0</b>	<b>265</b>	<b>25,702</b>	<b>163,239</b>
<u>FUND BALANCE</u>						
Nonspendable for Prepaid Expenditures	6,997	3,600	0	0	0	10,597
Restricted for Fire Protection	0	170,145	0	0	0	170,145
Restricted for Fire Equipment and Improvements	0	0	0	0	45,555	45,555
Restricted for Road Improvements	13,466	0	0	0	0	13,466
Committed for Road Improvements	0	0	147,151	0	0	147,151
Committed for Parks and Recreation	0	0	0	566	0	566
Unassigned	461,352	0	0	0	0	461,352
<b>Total Fund Balance</b>	<b>481,815</b>	<b>173,745</b>	<b>147,151</b>	<b>566</b>	<b>45,555</b>	<b>848,832</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 604,564</b>	<b>\$ 188,268</b>	<b>\$ 147,151</b>	<b>\$ 831</b>	<b>\$ 71,257</b>	<b>\$ 1,012,071</b>

The accompanying notes are an integral part of the financial statements.

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
MARCH 31, 2022

Total Fund Balance for Governmental Funds	\$	848,832
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital Assets	\$	2,206,109
Accumulated Depreciation		<u>(1,355,386)</u> 850,723
Accrued interest is not recorded as a liability in governmental funds, it is recorded when paid.		(4,259)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Installment Purchase Agreement Payable		<u>(140,505)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1,554,791</u></u>

The accompanying notes are an integral part of the financial statements.

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
YEAR ENDED MARCH 31, 2022

	<u>SPECIAL REVENUE FUNDS</u>					<u>TOTALS</u>
	<u>GENERAL FUND</u>	<u>FIRE FUND</u>	<u>ROAD IMPROVEMENT FUND</u>	<u>PARKS AND RECREATION FUND</u>	<u>FIRE EQUIPMENT FUND</u>	
<u>REVENUES</u>						
Taxes	\$ 107,914	\$ 78,661	\$ 0	\$ 0	\$ 39,107	\$ 225,682
Licenses and Permits	1,820	0	0	0	0	1,820
State Grants	222,244	472	0	0	236	222,952
Contributions from Local Units	0	20,660	0	0	10,330	30,990
Charges for Services	5,425	0	0	0	0	5,425
Interest and Rents	1,025	46	0	0	0	1,071
Other Revenues	35,393	0	0	2,650	140,058	178,101
Total Revenues	<u>373,821</u>	<u>99,839</u>	<u>0</u>	<u>2,650</u>	<u>189,731</u>	<u>666,041</u>
<u>EXPENDITURES</u>						
General Government	194,260	0	0	0	0	194,260
Public Safety	9,833	72,009	0	0	224,529	306,371
Public Works	7,094	0	6,582	0	0	13,676
Community and Economic Development	32,981	0	0	0	0	32,981
Recreation and Culture	29,611	0	0	28,973	0	58,584
Other Functions	18,475	0	0	0	0	18,475
Debt Service	0	0	0	0	49,704	49,704
Total Expenditures	<u>292,254</u>	<u>72,009</u>	<u>6,582</u>	<u>28,973</u>	<u>274,233</u>	<u>674,051</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>81,567</u>	<u>27,830</u>	<u>(6,582)</u>	<u>(26,323)</u>	<u>(84,502)</u>	<u>(8,010)</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Installment Purchase Agreement Proceeds	0	0	0	0	0	0
Transfers In (Out)	(25,000)	0	0	25,000	0	0
Total Other Financing Sources	<u>(25,000)</u>	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>56,567</u>	<u>27,830</u>	<u>(6,582)</u>	<u>(1,323)</u>	<u>(84,502)</u>	<u>(8,010)</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>425,248</u>	<u>145,915</u>	<u>153,733</u>	<u>1,889</u>	<u>130,057</u>	<u>856,842</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 481,815</u>	<u>\$ 173,745</u>	<u>\$ 147,151</u>	<u>\$ 566</u>	<u>\$ 45,555</u>	<u>\$ 848,832</u>

The accompanying notes are an integral part of the financial statements.

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2022

Net Change in Fund Balance - Total Governmental Funds	\$ (8,010)
---	------------

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation.

Capital Outlay	220,574
Depreciation Expense	(103,292)

Accrued interest payable is recorded in the Statement of Activities when incurred; it is not recorded in the governmental funds until it is paid.

Change in Accrued Interest	1,338
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Repayments of principal on long-term debt is an expenditure in the governmental fund, but not in the Statement of Activities (where it is a reduction of liabilities).	<u>44,107</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 154,717</u></u>
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The accompanying notes are an integral part of the financial statements.

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION  
MARCH 31, 2022

	<u>CUSTODIAL FUND</u>
	TAX
	COLLECTION
	<u>FUND</u>
<u>ASSETS</u>	
Cash	\$          68
 <u>LIABILITIES</u>	
Due to Other Governments	68
 <u>NET POSITION</u>	 \$ <u>0</u>

The accompanying notes are an integral part of the financial statements.

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

FIDUCIARY FUND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED MARCH 31, 2022

	<u>CUSTODIAL FUND</u> <u>TAX</u> <u>COLLECTION</u> <u>FUND</u>
<u>ADDITIONS</u>	
Property Taxes Collected	\$ 2,234,378
Miscellaneous	14,449
	<hr/>
Total Additions	2,248,827
	<hr/>
<u>DEDUCTIONS</u>	
Property Taxes Distributed	2,234,378
Miscellaneous	14,449
	<hr/>
Total Deductions	2,248,827
	<hr/>
Net Increase (Decrease) in Fiduciary Net Position	0
<u>NET POSITION - Beginning of Year</u>	<hr/> 0
<u>NET POSITION - End of Year</u>	<hr/> <u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2022

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., *The Statement of Net Position* and *The Statement of Activities*) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governmental is financially accountable.

**B. Reporting Entity**

Homestead Township is a Township located in Benzie County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

**C. Basis of Presentation – Government-Wide Financial Statements**

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between government's water functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**D. Basis of Presentation – Fund Financial Statements**

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

Homestead 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.

The *Fire Fund* accounts for revenue sources that are legally restricted as expenditures for fire protection.



HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2022

The *Road Improvement Fund* accounts for revenue sources that are designated as expenditures for road improvements.

The *Parks and Recreation Fund* accounts for revenue sources that are designated as expenditures for park improvements.

The *Fire Equipment Fund* accounts for revenue sources that are legally restricted as expenditures for fire equipment and improvements.

Additionally, Homestead Township reports the following fiduciary fund:

The *Custodial Fund* accounts for property taxes collected by the Township on behalf of other governmental units as well as the Township's General Fund, Fire Fund, and Fire Equipment Fund.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

#### **E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2022

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

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

The custodial fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

**F. Budgetary Information**

**1. Budgetary Basis of Accounting**

- Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year-end. Budgeted amounts presented are as originally adopted on February 1, 2021, or as amended by the Township Board from time to time throughout the year.
- The Township Board holds a public hearing and adopts a resolution approving the budgets.
- Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**2. Excess of Expenditures Over Appropriations**

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government		
Cemetery	\$ 11,400	\$ 19,824
Public Works		
Highways, Roads and Bridges	5,000	7,094

These overages were covered by available fund balance and greater than anticipated revenues.

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2022

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

**1. *Cash and Cash Equivalents***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The government considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

**2. *Investments***

The Township's investment policy is in compliance with state law and authorizes the Township to invest in passbook savings accounts, certificates of deposit, and money market funds. The Township does not have any investments other than interest bearing bank accounts.

**3. *Inventories and Prepaid Items***

Inventory is valued at cost using the first-in/first-out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	40
Building Improvements	25
Land Improvements	20
Furniture and Fixtures	10
Vehicles	10
Equipment	5

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2022

**5. *Unearned Revenue***

Unearned revenue arises when resources are received by the Township before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The Township reports unearned revenue related to the American Rescue Plan Act (ARPA) federal funds that were received but unspent as of March 31, 2022.

**6. *Long-Term Obligations***

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. 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 over the term of the related obligations.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**7. *Deferred Outflows/Inflows of Resources***

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

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

**8. *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.

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2022

**9. *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 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.

**10. *Fund Balance Policies***

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

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

**11. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**H. Revenues and Expenditures/Expenses**

**1. *Program Revenues***

Amounts reported as program revenue 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

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2022

and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property Taxes**

Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1 and become delinquent after September 14. The remaining millages are levied and due December 1 and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations

The 2021 taxable valuation of Homestead Township totaled \$80,783,605, on which ad valorem taxes levied consisted of 0.8744 mills for the operating purposes, 0.9673 mills for fire protection, 0.4836 mills for fire equipment. These amounts are recognized in the respective General Fund, Fire Fund and Fire Equipment Fund statements as tax revenue.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Violations of Legal or Contractual Provisions**

Note I.F.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended March 31, 2022.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits**

As of March 31, 2022, Homestead Township had deposits subject to the following risk:

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2022, \$581,912 of the government's bank balance of \$907,118 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of March 31, 2022, deposits of \$898,458, are reported on the financial statements as cash.

*Interest rate risk.* The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2022

*Credit risk.* State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

*Concentration of credit risk.* The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Foreign currency risk.* The Township is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

The deposits referred to above have been reported in either the cash and cash equivalents captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of March 31, 2022:

	Primary Government	Fiduciary Funds	Reporting Entity
Cash	\$ 898,390	\$ 68	\$ 898,458

**B. Receivables**

Receivables as of March 31, 2022, for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Fire Fund	Fire Equipment Fund	Total
Receivables				
Taxes	\$ 7,180	\$ 6,084	\$ 3,041	\$ 16,305
Due from Other Governments	50,278	0	0	50,278
Total Receivables	\$ 57,458	\$ 6,084	\$ 3,041	\$ 66,583

By ordinance, the Township can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2022

**C. Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 160,354	\$ 0	\$ 0	\$ 160,354
Capital Assets, Being Depreciated				
Buildings	545,245	0	0	545,245
Land Improvements	299,888	0	0	299,888
Vehicles	710,134	217,075	0	927,209
Equipment	269,914	3,499	0	273,413
Total Capital Assets, Being Depreciated	1,825,181	220,574	0	2,045,755
Less Accumulated Depreciation for:				
Buildings	514,776	2,344	0	517,120
Land Improvements	211,374	6,080	0	217,454
Vehicles	316,331	69,387	0	385,718
Equipment	209,613	25,481	0	235,094
Total Accumulated Depreciation	1,252,094	103,292	0	1,355,386
Total Capital Assets, Being Depreciated, Net	573,087	117,282	0	690,369
Governmental Activities Capital Assets, Net	\$ 733,441	\$ 117,282	\$ 0	\$ 850,723

Depreciation expense was charged to the following activities:

General Government	\$ 3,029
Public Safety	91,834
Public Works	3,057
Recreation and Culture	5,372
	<u>\$ 103,292</u>

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2022, were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Fund	\$ 10,799
General Fund	Equipment Fund	25,702
		<u>\$ 36,501</u>



HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2022

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2021, are expected to be repaid within one year.

Individual fund transfers at March 31, 2022, were:

<u>Fund Transferred To</u>	<u>Funds Transferred From</u>	<u>Amount</u>
General Fund	Road Improvement Fund	\$ 25,000

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**E. Long-Term Obligations**

**1. Primary Government**

The Township issued notes from direct borrowing and direct placement to fund the purchase of a fire truck. The following is a summary of the governmental long-term obligation transactions for the District for the year ended March 31, 2022:

	<u>NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS</u>
Balance April 1, 2021	\$ 184,612
Additions	0
Deletions	(44,107)
Balance March 31, 2020	140,505
Less current portion	(45,445)
Total due after one year	\$ 95,060

The Township's debt obligations at March 31, 2022, are comprised of the following issues:

Notes From Direct Borrowings and Direct Placements

Installment purchase agreement for a fire truck in the amount of \$233,000 due in annual installments of \$49,704 through April 15, 2024 with interest at 2.99%	\$ 140,505
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The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$140,505 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
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NOTES TO FINANCIAL STATEMENTS  
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or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize all long-term obligations outstanding as of March 31, 2022, including interest payments of \$149,112 are as follows:

YEAR ENDING MARCH 31,	NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS			TOTAL
	PRINCIPAL	INTEREST		
2023	\$ 45,445	\$ 4,259	\$	\$ 49,704
2024	46,822	2,882		49,704
2025	48,238	1,466		49,704
	<u>\$ 140,505</u>	<u>\$ 8,607</u>	<u>\$</u>	<u>\$ 149,112</u>

Interest expense for the year ended March 31, 2022 was approximately \$4,259.

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions employee injuries (workers' compensation).

The Township continues to carry commercial insurance for various risks of loss, including general liability, property and casualty and accident insurance and workers' disability compensation. The Township has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

The Township participates in a distinct pool of Township within the State of Michigan for workers' disability compensation. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

**B. Contingencies**

At various times over the course of previous years, the Township has been a party to various contracts, received grant funds, and levied property taxes. At times parties attempt to contest or change things such as Michigan Tax Tribunal suites related to property tax valuation, audits of grants potentially resulting in payback of funds, et cetera. The Township has not recorded any estimated future liability related to any previously recognized revenue and does not anticipate needing to in the future.

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**C. Subsequent Event**

After the close of the fiscal year, the Township approved up to \$50,000 to be spent on a paving project, all of which will be reimbursed to the Township. No adjustments were made to the financial statements as a result of the subsequent event.

HOMESTEAD TOWNSHIP, BENZIE COUNTY  
HONOR, MICHIGAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED MARCH 31, 2022

	GENERAL FUND			FIRE FUND			ROAD IMPROVEMENT FUND			PARKS AND RECREATION FUND			FIRE EQUIPMENT FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b>REVENUES</b>															
Taxes	\$ 85,002	\$ 90,650	\$ 107,914	\$ 75,792	\$ 75,792	\$ 78,661	0	0	0	\$ 0	\$ 0	\$ 0	\$ 37,892	\$ 37,892	\$ 39,107
Licenses and Permits	320	320	1,820	0	0	0	0	0	0	0	0	0	0	0	0
State Grants	1,200	111,453	222,244	0	0	472	0	0	0	0	0	0	0	0	236
Contributions from Local Units	0	0	0	20,660	20,660	20,660	0	0	0	0	0	0	10,330	10,330	10,330
Charges for Services	1,600	1,600	5,425	0	0	0	0	0	0	0	0	0	0	0	0
Interest and Rents	900	900	1,025	0	0	46	0	0	0	0	0	0	0	0	0
Other Revenues	5,800	5,800	35,393	0	0	0	0	0	0	2,500	2,500	2,650	139,823	139,823	140,058
<b>Total Revenues</b>	<b>94,822</b>	<b>210,723</b>	<b>373,821</b>	<b>96,452</b>	<b>96,452</b>	<b>99,839</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,500</b>	<b>2,500</b>	<b>2,650</b>	<b>188,045</b>	<b>188,045</b>	<b>189,731</b>
<b>EXPENDITURES</b>															
General Government															
Township Board	90,300	60,300	51,272	0	0	0	0	0	0	0	0	0	0	0	0
Supervisor	19,870	19,870	19,312	0	0	0	0	0	0	0	0	0	0	0	0
Election	3,000	3,000	102	0	0	0	0	0	0	0	0	0	0	0	0
Assessor	31,000	31,000	27,615	0	0	0	0	0	0	0	0	0	0	0	0
Clerk	23,551	23,551	21,155	0	0	0	0	0	0	0	0	0	0	0	0
Board of Review	3,150	3,150	1,207	0	0	0	0	0	0	0	0	0	0	0	0
Treasurer	35,032	35,032	31,717	0	0	0	0	0	0	0	0	0	0	0	0
Building and Grounds	38,500	46,000	22,056	0	0	0	0	0	0	0	0	0	0	0	0
Cemetery	11,400	11,400	19,824	0	0	0	0	0	0	0	0	0	0	0	0
Public Safety															
Fire Protection	10,000	10,000	9,833	108,202	108,202	72,009	0	0	0	0	0	0	240,000	240,000	224,529
Public Works															
Highways, Roads and Bridges	5,000	5,000	7,094	0	0	0	17,500	17,500	6,582	0	0	0	0	0	0
Community and Economic Development															
Planning and Zoning	71,500	71,500	32,981	0	0	0	0	0	0	0	0	0	0	0	0
Recreation and Culture															
Parks and Recreation	0	30,000	29,611	0	0	0	0	0	0	29,138	29,138	28,973	0	0	0
Other Functions															
Insurance and Bonds	23,000	23,000	10,260	0	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits	9,000	9,000	8,215	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service															
Principal	0	0	0	0	0	0	0	0	0	0	0	0	44,107	44,107	44,107
Interest	0	0	0	0	0	0	0	0	0	0	0	0	5,597	5,597	5,597
<b>Total Expenditures</b>	<b>374,303</b>	<b>381,803</b>	<b>292,254</b>	<b>108,202</b>	<b>108,202</b>	<b>72,009</b>	<b>17,500</b>	<b>17,500</b>	<b>6,582</b>	<b>29,138</b>	<b>29,138</b>	<b>28,973</b>	<b>289,704</b>	<b>289,704</b>	<b>274,233</b>
Excess (Deficiency) of Revenues Over Expenditures	(279,481)	(171,080)	81,567	(11,750)	(11,750)	27,830	(17,500)	(17,500)	(6,582)	(26,638)	(26,638)	(26,323)	(101,659)	(101,659)	(84,502)
<b>OTHER FINANCING SOURCES (USES)</b>															
Installment Purchase Agreement Proceeds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers In (Out)	(25,000)	(25,000)	(25,000)	0	0	0	5,000	5,000	0	25,000	55,000	25,000	0	0	0
<b>Total Other Financing Sources</b>	<b>(25,000)</b>	<b>(25,000)</b>	<b>(25,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,000</b>	<b>5,000</b>	<b>0</b>	<b>25,000</b>	<b>55,000</b>	<b>25,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(304,481)</b>	<b>(196,080)</b>	<b>56,567</b>	<b>(11,750)</b>	<b>(11,750)</b>	<b>27,830</b>	<b>(12,500)</b>	<b>(12,500)</b>	<b>(6,582)</b>	<b>(1,638)</b>	<b>28,362</b>	<b>(1,323)</b>	<b>(101,659)</b>	<b>(101,659)</b>	<b>(84,502)</b>
<b>FUND BALANCE - Beginning of Year</b>	<b>343,811</b>	<b>353,409</b>	<b>425,248</b>	<b>113,913</b>	<b>123,913</b>	<b>145,915</b>	<b>153,733</b>	<b>153,733</b>	<b>153,733</b>	<b>1,998</b>	<b>1,998</b>	<b>1,889</b>	<b>149,987</b>	<b>149,987</b>	<b>130,057</b>
<b>FUND BALANCE - End of Year</b>	<b>\$ 39,330</b>	<b>\$ 157,329</b>	<b>\$ 481,815</b>	<b>\$ 102,163</b>	<b>\$ 112,163</b>	<b>\$ 173,745</b>	<b>\$ 141,233</b>	<b>\$ 141,233</b>	<b>\$ 147,151</b>	<b>\$ 360</b>	<b>\$ 30,360</b>	<b>\$ 566</b>	<b>\$ 48,328</b>	<b>\$ 48,328</b>	<b>\$ 45,555</b>

