

CAMPBELL TOWNSHIP

Ionia County, Michigan

Financial Statement

And

Independent Auditor's Report

For the Year ended March 31, 2021

CAMPBELL TOWNSHIP

331 S MAIN STREET, CLARKSVILLE, MI 48815

PHONE: 616-693-2920

POPULATION: 2,388

TOWNSHIP BOARD:

Supervisor.....	Brian Thompson
Clerk.....	Marshann Ludema
Treasurer.....	Linda Willison
Trustee.....	Dennis Pepper
Trustee.....	Dan Jackson

CAMPBELL TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

August 24, 2021

The Township Board
Campbell Township
Ionia County, Michigan

We have audited the accompanying financial statements of the governmental activities, tax agency fund, each major fund, and the aggregate remaining fund information of Campbell Township, Ionia County, Michigan, 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. 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, tax agency fund, each major fund, and the aggregate remaining fund information of Campbell Township, as of March 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 - 12 and budgetary comparison information on pages 30 - 34 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.

Larry Tiejema, CPA

Lawrence Tiejema, PC

August 24, 2021

Management Discussion and Analysis

Campbell Township added to its cash reserves, obtained new-turnout gear for the fire department and a new voting tabulator for the 2020 elections, and contributed to a major repair on Darby Road during the year ended March 31, 2021.

Financial Highlights

- (1) Campbell Township revenues exceeded expenses by \$219,313 during the year ended March 31, 2021. This raised net position to \$1,880,567, which is 5.14 times expenses of year 2020-21.
- (2) The township's two main revenue sources – property taxes and revenue sharing – increased by \$34,187. Property taxes increased by \$31,178 and revenue sharing went up \$3,009.
- (3) The purchase of equipment and capital improvements was lower in year 2020-21 than it has been in prior years. The fire department added only one new capital asset, which was turnout gear for \$6,345. The township purchased a new Hart Voting Tabular for \$2,773 to assist with the 2020 elections.
- (4) The township decreased its road maintenance spending during the year ended March 31, 2021, by \$57,034, but it did allocate \$16,411 towards the replacement of a culvert on Darby Road.
- (5) Interest income decreased sharply as investment interest rates took a dive. During the 2020-21 year, interest income was \$2,968 compared to \$4,466 during the prior year.
- (6) Drain maintenance cost went down \$5,378 during the year ended March 31, 2021. Drain maintenance costs depend on the county's drain management program which can fluctuate from year to year.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components:

(1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. A report of the Tax Agency Fund's payments to governmental units has been included in other supplemental information. This report provides additional information to any interested party.

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 information on all the Township's assets and liabilities, with the difference between the two reported as net position.

Over time, increases or decreases in net assets 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 government'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 in this statement for some items that will only result in cash flows in future fiscal periods. Both the government-wide statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, recreation and culture, and cemetery. The government-wide financial statements may be found on pages 13-14.

Fund financial statements. A *fund* is a group 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 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 evaluating 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 adopts an annual appropriated budget. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets. The basic governmental fund financial statements can be found on pages 30-34 of this report.

Proprietary funds. Proprietary funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds report revenues and expenses in a full-accrual format for governmental services that are expected to recover the cost of their operations. The township does not have any proprietary funds.

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 accounting used for fiduciary funds is much like that used for proprietary funds. Campbell Township has one fiduciary fund, the Tax Agency Fund. The basic fiduciary fund statements for the Tax Agency Fund can be found on page 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 20 - 28 of this report.

Campbell Township – Condensed Statement of Net Position

For the Years ended March 31, 2021, and March 31, 2020

	Governmental Activities	
	03/31/21	03/31/20
Current and other assets	\$ 1,038,928	\$ 841,565
Capital assets	921,097	966,688
Total assets	1,960,025	1,808,253
Long-term liabilities outstanding	69,647	137,843
Other liabilities	9,811	9,156
Total liabilities	79,458	146,999
Net position:		
Invested in capital assets	851,450	828,845
Restricted	238,350	175,752
Unrestricted	790,767	656,657
Total net position	\$ 1,880,567	\$ 1,661,254

The net position of the governmental funds increased by \$219,313 as assets increased by \$151,772 and liabilities decreased \$67,541. The net position of the emergency services fund increased by \$134,545, and the general fund increased by \$84,768.

The assets in the financial statement above consist of ‘current and other assets’ and capital assets. ‘Current and other assets’ consist of cash, receivables, and prepaid expenses. The cash amount increased \$158,702 due to the substantial increase in net income. Receivables consist of delinquent taxes receivable from Ionia County, revenue sharing from the State of Michigan, and property tax revenues in the Tax Agency Fund that were not transferred into the general and emergency services fund until the beginning of the next fiscal year. Receivables for property taxes increased \$31,783 due to increases in property tax values and the increase in the voted millage rate for fire department purposes. Revenue sharing receivable went up \$6,780 as the effect of reduced sales tax receipts from the State of Michigan due to the Covid-19 pandemic was not realized until the end of the fiscal year. Prepaid expenses, which represent large payments for insurance and membership that cover expenses into the following year, went up slightly. Capital assets decreased as the cost of new assets was exceeded by depreciation expense.

The liabilities listed above consist of accounts payable, payroll liabilities, and the balance owing on the lease-to-own agreement to pay off the latest fire truck purchase. Accounts payable includes purchases made before the fiscal year closed in March and payments that were made in April, the first month of the new fiscal year. Accounts payable decreased \$63, payroll liabilities went up \$718, and the lease-to-own balance dropped \$68,196. The payroll liability increase was due to slightly higher wages paid near the end of the fiscal year since they include withholdings and payroll tax. The yearly payment of \$71,130 on the lease-to-own agreement reduced the balance to \$69,647, which will be paid off during the current fiscal year.

Condensed Statement of Changes In Net Position

For Years ended March 31, 2021 and March 31, 2020

	Governmental Activities	
	03/31/21	03/31/20
Revenue:		
Program revenue:		
Charges for services	\$ 16,502	\$ 13,726
General revenue:		
Property taxes	377,855	346,677
State Sources	180,785	177,776
Investment earnings	2,968	4,466
Other	6,928	9,287
Total revenue	585,038	551,932
Expenses:		
General government	116,435	116,802
Legislative	21,060	22,194
Public safety	150,797	143,438
Public works	41,852	104,264
Parks and recreation	17,649	18,463
Cemetery	17,932	15,480
Total expenses	365,725	420,641
Increase (decrease) in net assets	219,313	131,291
Net position - beginning of year	1,661,254	1,529,963
Net position - end of year	\$ 1,880,567	\$ 1,661,254

The General Fund and Emergency Services Fund had a combined income of \$219,313 compared to net income of \$131,291 during the prior year. Revenues were \$33,106 more and expenses were \$54,916 lower. The General Fund had net income of \$86,768, and the Emergency Services Fund had net income of \$134,545. The increase in Emergency Services income resulted from higher operating and new fire truck voted revenues, and the General Fund increase resulted mainly from a reduction in road maintenance expenses.

The statement above shows that the township had higher revenues from property taxes, charges for services, revenue sharing, but lower revenue from investment earnings and other revenues. The increased property tax revenue of \$31,178 came from increased property tax values and an increase in the rate of fire millages. 'Charges for Services' represents revenues from citizens and groups for services including charges for the use of the township's road right-of-way and fire protection services for other townships. Road right-of-way income rose \$411, and fire protection for other townships went up \$2,265. Other revenue decreased by \$2,359 since donations to the fire department dropped \$5,000, but insurance rebates went up \$3,287.

During the year ended March 31, 2021, there were expense increases for public safety and the cemetery while expenses for general government, legislative, public works, and parks and recreation all went down. Public safety, which is made up of fire department and ambulance expenses, went up \$7,359. Fire department expenses were \$9,605 more for maintenance on the fire equipment, and the sub-contracted cost of ambulance services rose \$639. Legislative expenses consist of general township expenses including insurance, memberships, professional services, technology, and trustee wages. During the past year, insurance costs went up \$1,778, maintenance contracts rose \$735, and trustee wages increased \$1,730, but legal costs dropped \$4,649. Public works, which consists of road and drain expenses, decreased by \$62,412. Road maintenance costs decreased by \$57,034 and drain maintenance dropped \$5,378. During the year ended March 31, 2021, the township did not invest new gravel but spent \$16,805 on culvert repair and replacement including \$16,411 on a Darby Road bridge culvert. During the prior year, the township expended \$71,483 on new gravel/grading and \$24,642 on brine to reduce dust on its gravel roads. Expenses for the township park dropped \$814 as maintenance costs dropped slightly.

Condensed Statement of Capital Assets

	Governmental Activities	
	Year ended	
	03/31/21	03/31/20
Land	\$ 227,486	\$ 227,486
Buildings and improvements	243,300	263,073
Office machinery and equipment	3,854	1,383
Fire department machinery and equipment	446,457	474,746
TOTALS	\$ 921,097	\$ 966,688

All buildings and equipment with an original cost of \$1,000 or more are expensed over their useful lifetimes. This expense is called depreciation. During the year ended March 31, 2021, the Township obtained \$9,118 in capital assets while having depreciation expense of \$54,709. The purchases of new capital assets and application of depreciation expense decreased capital assets by \$45,591. The township's fire department acquired 3 sets of Morning Pride coats and pants for \$6,345, and the township acquired a new Hart voting tabulator for \$2,773 for use in the 2020 elections.

The Township acquired a 7-acre parcel of land south of the township hall in May 2015 for \$90,666. The land is not an asset that is normally depreciated since land values typically go up. The removal of the existing home on the parcel and grading of the property for \$12,600 is a land improvement that is expensed or depreciated over a 15-year period. This property can be used and developed for future township purposes.

Budgets

During the course of the fiscal year, the Township found it necessary to amend the budgets of the general fund. The general fund adjusted its election, cemetery, and township hall expenditures. A complete report of the budget to actual revenues and expenditures are reported on pages 30 – 34.

Lease-to-Own Contract

The township has entered into a Lease-to-Own Agreement to pay for the purchase of the new Spencer Pumper. The details of its payment plan are given on page 28 of the Notes to the Financial Statements.

Campbell Township Services – New Opportunities and Challenges

Our township is composed of a mixture of large farms, small hobby farms, small businesses, and residential properties. The township surrounds the Village of Clarksville and includes a small area adjoining Morrison Lake. Our township is managed by a governing board that focuses on providing vital services to its residents. Our primary sources of revenue are local property taxes and state revenue sharing. Our citizens have shown support for emergency services by passing millages for fire operations and the purchase of new fire trucks.

Our township board strives to provide the services that are most important to its residents. Our residents want good, safe gravel roads and hard surface roads. They want effective fire protection and emergency services. Our residents also value attractive and well-organized cemeteries and a place where they can participate in athletic contests and hold picnics and social gatherings. Currently, residents are asking for improved broadband services for better internet connectivity.

Our township worked through the challenges of the Covid-19 epidemic. Meetings were held by Zoom with mixed results. As soon as restrictions were relaxed, the township was able to go back to in-person meetings because attendance at board meetings is usually low. There was a concern that state revenue sharing would be reduced, so the township board cancelled the application of new gravel on township roads in 2020. However, we carried through with a contribution to a needed culvert replacement on Darby Road. When our phone service carrier raised rates, we looked for and found a lower cost alternative from Printing Essentials.

The township has developed a fire department to respond to local fires, accidents, and life-threatening emergencies. The fire department has 19 fire fighters that maintain their skills by continuous training. The fire department purchased a new pumper in 2018 for \$385,000 that was funded by a special millage. After the special fire truck millage expired, the operating millage was increased from 2 mills to 2.25 mills to create a savings account for a new fire truck purchase within the next three to five years.

The township has developed a township park that includes a picnic shelter, softball fields, a park building and pavilion, basketball and tennis courts, and playground equipment. The township park is now the center of many athletic, family, and social activities. The township began renting the park pavilion and athletic fields in April 2016 and has collected rent of \$5,280 since then. The rental receipts help to maintain and improve the park.

The township purchased the 7-acre property just south of the township hall in 2015. The existing house was removed, the yard area was restored into an open area, and a local farmer is planting crops on part of the land. A logical use of this land is a parking lot, since residents must park up and down the road on a busy election day. The township board is searching for a grant that will help the township to afford to develop a suitable parking lot that will not create drainage problems for the township hall and fire barn buildings.

All of these services have been provided to township residents by frugal and careful management of the budget, the increasing funding from state revenue sharing, and the support of our citizens from the approvals of fire protection millage votes. The township board plans to continue to manage its funds wisely by providing needed services today and saving for the future.

CAMPBELL TOWNSHIP
STATEMENT OF NET POSITION
MARCH 31, 2021

	Governmental Activities
Assets	
Current assets:	
Cash and deposits	\$ 607,942
Receivables	
Taxes	18,598
Accounts Receivable	48,091
Receivable from Tax Agency Fund	358,870
Prepaid expenses	5,427
Total current assets	1,038,928
Noncurrent assets.	
Land	227,486
Buildings and equipment	693,611
Total noncurrent assets	921,097
Total Assets	1,960,025
Liabilities	
Current liabilities:	
Accounts payable	5,250
Payroll liabilities	4,561
Total Current Liabilities	9,811
Long-term liabilities:	
Lease-to-Own Payable	69,647
Total Liabilities	79,458
Net Position	
Invested in capital assets	851,450
Restricted for:	
Fire equipment	238,350
Unrestricted	790,767
Total net position	\$ 1,880,567

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

CAMPBELL TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2021

Functions/ Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenues
Primary government			
Governmental activities:			
General government	\$ 116,435	\$ 1,273	\$ (115,162)
Legislative	21,060	-	(21,060)
Public safety	150,797	-	(150,797)
Public works	41,852	4,279	(37,573)
Recreation and culture	17,649	1,355	(16,294)
Cemetery	17,932	4,595	(13,337)
Total government activities	<u>365,725</u>	<u>11,502</u>	<u>(354,223)</u>
Changes in net assets			
Net (expense) revenue			(354,223)
General revenues:			
Property taxes			377,855
State revenue sharing			180,785
Investment earnings			2,968
Other revenue			<u>11,928</u>
Total general revenues			<u>573,536</u>
Change in net position			219,313
Net position, beginning of year			<u>1,661,254</u>
Net position, end of year			<u>\$ 1,880,567</u>

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

CAMPBELL TOWNSHIP
BALANCE SHEET – GOVERNMENTAL FUNDS
MARCH 31, 2021

ASSETS	GENERAL FUND	EMERGENCY SERVICES FUND	TOTAL
Cash and deposits	\$ 293,869	\$ 314,073	\$ 607,942
Receivables:			
Taxes	4,837	13,761	18,598
Accounts receivable	45,591	2,500	48,091
Receivable from Tax Agency Fund	95,592	263,278	358,870
TOTAL ASSETS	439,889	593,612	1,033,501
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts payable	2,608	2,642	5,250
Payroll liabilities	3,159	1,402	4,561
TOTAL LIABILITIES	5,767	4,044	9,811
FUND BALANCE			
Committed to township park	2,410	-	2,410
Committed for cemetery care	22,682	-	22,682
Restricted for fire equipment	-	238,350	238,350
Unassigned	409,030	351,218	760,248
Total Fund Balance	434,122	589,568	1,023,690
TOTAL LIABILITIES AND FUND BALANCE	\$ 439,889	\$ 593,612	\$ 1,033,501

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

CAMPBELL TOWNSHIP
BALANCE SHEET
GOVERNMENT FUNDS
MARCH 31, 2021

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF THE GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION:

Fund balance – total governmental funds.....	\$ 1,023,690
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add – land.....	227,486
Add – capital assets.....	1,920,537
Deduct – accumulated depreciation.....	(1,226,926)
Long-term liabilities are recorded in governmental activities, but are not current liabilities in governmental funds.....	(69,647)
Prepaid expenses are a current asset in the Statement of Net Position and are expensed when paid for governmental funds.....	
Add – prepaid expenses.....	<u>5,427</u>
Net position of governmental activities.....	<u>\$ 1,880,567</u>

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

CAMPBELL TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED MARCH 31, 2021

	GENERAL FUND	EMERGENCY SERVICES FUND	TOTAL
REVENUES:			
Property taxes	\$ 100,816	\$ 277,039	\$ 377,855
State revenue sharing	180,785	-	180,785
Charges for services	11,502	5,000	16,502
Interest	1,718	1,250	2,968
Other	4,875	2,053	6,928
TOTAL REVENUES	299,696	285,342	585,038
EXPENDITURES:			
General government	109,516	-	109,516
Legislative	20,856	-	20,856
Public safety	-	191,007	191,007
Public works	41,852	-	41,852
Recreation and culture	8,886	-	8,886
Cemetery	16,311	-	16,311
TOTAL EXPENDITURES	197,421	191,007	388,428
REVENUES OVER EXPENDITURES	102,275	94,335	196,610
NET CHANGE IN FUND BALANCES	102,275	94,335	196,610
FUND BALANCE, BEGINNING OF YEAR	331,847	495,233	827,080
FUND BALANCE, END OF YEAR	\$ 434,122	\$ 589,568	\$ 1,023,690

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

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENT FUNDS
FOR THE YEAR ENDED MARCH 31, 2021**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES:

Net change in fund balances – total government funds.....	\$ 196,610
Government funds expense capital outlays in the current year while the Statement of Activities allocates them over useful life:	
Add capital outlay.....	9,118
Deduct depreciation expense.....	(54,709)
Loan interest is recorded in governmental activities, but loan payments are reported in governmental funds.....	68,195
Prepaid expenses are current expenses for government funds but are accrued as an asset for Statement of Activities.....	<u>99</u>
Changes in net position of government activities.....	<u>\$ 219,313</u>

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

CAMPBELL TOWNSHIP

FIDUCIARY FUND

TAX AGENCY FUND FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES

MARCH 31, 2021

Assets	
Cash deposits	\$ 360,307
	<u>360,307</u>
Total Assets	360,307
Liabilities	
Payable to other parties	30
Payable to other governments	1,407
Payable to the township	358,870
	<u>358,870</u>
Total Liabilities	<u>\$ 360,307</u>

STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

Receipts

Tax Collections	\$ 3,057,623
Interest and penalty income	461
	<u>3,058,084</u>
Total cash receipts	<u>3,058,084</u>

Disbursements

Tax payments to the township	324,797
Tax payments to other governments	2,697,473
Miscellaneous expenses	59
	<u>3,022,329</u>
Total cash disbursements	<u>3,022,329</u>

Total receipts over (under) payments	35,755
Cash balance at the beginning of the year	<u>324,552</u>
Cash balance at the end of the year	<u>\$ 360,307</u>

The accompanying notes are an integral part of the financial statements

CAMPBELL TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Campbell Township was organized in April of 1849 under the applicable laws of the State of Michigan. The Township is governed by a Board of Trustees which consists of Supervisor, Clerk, Treasurer, and two Trustees, and provides the following services: public safety (fire, ambulance), road maintenance, drainage, cemetery, public improvements, recreation and parks, and general administrative services.

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

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present a financial report on all funds of Campbell Township.

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 non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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 segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific 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 government funds and fiduciary funds, even though the latter are excluded from the government-wide 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 accrual basis of accounting. Agency funds follow the accrual basis of accounting and they do not follow a measurement focus because they do not report the results of operations (assets equal liabilities). Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in 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.

CAMPBELL TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures in the current period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Township. 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. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Township reports the following major government funds:

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

Emergency Services Fund – This fund is used to account for operating millage revenues and operating expenses of the Campbell Township Fire Department and emergency ambulance expenses.

Additionally, the Township reports the following fund type:

Tax Agency Fund – This fund is used to account for property tax collections from real and personal property owners in Campbell Township, and the fund’s disbursements to the applicable government entities and agencies.

CAMPBELL TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

Private-sector standards of accounting and financial reporting are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and current liabilities between funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Budgets and Budgetary Accounting

Annual budgets are adopted for the General Fund and Emergency Services Fund on a basis consistent with generally accepted accounting principles (GAAP). The Township follows these procedures in establishing the budgetary data which is reflected in the financial statements:

1. The budgets are generated with input from various department heads, the township supervisor, clerk, treasurer, and township trustees.
2. Public hearings are conducted to obtain taxpayer comments and recommendations. The operating budgets include proposed expenditures and the means of financing them.
3. The budget is legally enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
5. Budget appropriations lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621. Expenditures may not exceed appropriations at the functional level for all funds (the legal level of budgetary control). The appropriations resolutions are based on the projected expenditure budgets by function. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any department must be approved by the Township Board.
7. Budgeted amounts are as originally adopted, or as amended by the Township Board.
8. Encumbrance accounting is not utilized.

CAMPBELL TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

Investments

Investments are stated at fair value.

Restricted Assets

Certain proceeds may be set-aside or restricted for the repayment of debt obligations, a planned capital project, or for any other special purpose. Campbell Township has restrictions on the net assets in three activities. Funds for cemetery care in the General Fund are restricted for cemetery maintenance and improvement. Funds for the township park in the General Fund are restricted to township park development. Funds in the Emergency Services Fund are restricted to the purchase of fire equipment.

Due To and Due From Other Funds

Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental funds in the government-wide financial statements. The Township does not currently own infrastructure (roads, tunnels, bridges, etc.) Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated market value on the date received.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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

	<u>Depreciable Life-Years</u>
Building and structures.....	10 – 40
Furniture and equipment.....	5 – 15
Building and lot improvements.....	15
Trucks and vehicles.....	5 - 20
Machinery and equipment.....	5 – 20

CAMPBELL TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

Property Taxes

Property taxes for the Township are attached as an enforceable lien on property as of December 1 of each year. The December 1 levy is recorded as revenue during the current fiscal year, and is intended to fund expenditures of the current year. Taxes are levied December 1 and are due without penalty on or before February 14. These winter tax bills include the Township's own property taxes and taxes billed on behalf of the school districts and other entities in Ionia County; summer taxes are collected for the school districts and the County of Ionia. Real property taxes not collected are returned to the County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

Fund Equity

In the fund statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Restrictions of fund balance represent restricted net assets equal to restricted assets less related liabilities. The Emergency Services Fund has a \$167,220 restriction for future fire equipment and a \$71,130 restriction on millage receipts for a payment on the lease-to-own contract. The township makes a commitment of fund balance by passing a resolution, and the township assigns a portion of fund balance by passing a motion. Campbell Township has general fund commitment of \$22,682 for cemetery care and \$2,410 commitment for the township park. The Township has no other assignments or commitments of the remaining fund balance of \$404,030 for other activities.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2021, the Township was covered by a liability and property insurance policy in the Michigan Township Participating Plan through the David Chapman Agency.

The insurance limitations are: Building and contents, \$1,178,222; Liability, \$2,000,000; Wrongful acts, \$2,000,000; Vehicle, \$2,000,000, and Cyber Security, \$100,000. The township has \$576,500 insurance coverage on its emergency vehicles and other emergency services equipment. In addition, the Township has additional coverage for inland marine, park and recreational equipment, data recovery, crime coverage, and township building heating system.

CAMPBELL TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

2. CASH DEPOSITS AND INVESTMENTS

The cash and deposits, investments and restricted assets for the Township and its component unit are as follows:

	<u>Governmental Funds</u>	<u>Tax Agency Fund</u>	<u>Total</u>
Checking/Savings accounts	\$ 585,260	\$ 360,307	\$ 945,567
Investments	<u>22,682</u>	<u>-</u>	<u>22,682</u>
TOTAL	<u>\$ 607,942</u>	<u>\$ 360,307</u>	<u>\$ 968,249</u>

The carrying amount of the Township's deposits at March 31, 2021, is \$968,249. All deposits are held at United Bank. Of these deposits, the Federal Deposit Insurance Corporation insures all demand accounts for up to \$250,000 and all investment accounts up to \$250,000. The remaining \$477,398 in the checking accounts is not insured. In accordance with the State of Michigan policy limits, these deposits are all deposited in Michigan banks. All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at fair value.

Statutory Authority

State statutes authorize the Township to invest in:

1. Bond securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services that matures not more than 270 days after date of purchase.
4. Obligations of the State of Michigan or its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
5. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

CAMPBELL TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

- 6. External investment pools as authorized by Public Act 20 as amended through December 21, 1997.
- 7. Banker's acceptances of United States banks.

Township investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. Investments held by the Township are reported at fair value.

All deposit accounts of Campbell Township are in Category 1, registered and insured, and are listed as follows:

Depository	Account	Amount @ 03/31/21
General Fund:		
United Bank	Checking Accounts	\$ 197,695
United Bank	Park Development Savings Account	2,410
United Bank	Trust and Agency	4,617
Township office	Petty Cash	200
United Bank	Cemetery Certificate of Deposit	22,682
United Bank	Savings Account	66,265
Emergency Services:		
United Bank	Checking account	164,779
United Bank	Savings account	149,294
Tax Agency Fund:		
United Bank	Checking account	360,307
TOTAL DEPOSITED FUNDS		\$ 968,249

CAMPBELL TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

3. CAPITAL ASSETS

	Balance April 1, 2020	Additions	Disposals	Balance March 31, 2021
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 227,486	\$ -	\$ -	\$ 227,486
Capital assets being depreciated:				
Buildings and improvements	580,446	-	-	580,446
Office furniture and equipment	39,091	2,773	-	41,864
Fire fighting equipment	1,291,882	6,345		1,298,227
	1,911,419	9,118	-	1,920,537
Less accumulated depreciation for:				
Buildings and improvements	317,373	19,773	-	337,146
Office furniture and equipment	37,708	302	-	38,010
Fire fighting equipment	817,136	34,634		851,770
	1,172,217	54,709	-	1,226,926
Total capital assets, being depreciated net:	739,202			693,611
Governmental activities capital assets net:	\$ 966,688			\$ 921,097

Depreciation expense was charged to functions/programs of the general government as follows:

Election Equipment.....	\$ 302
Cemetery.....	1,621
Township Buildings.....	9,389
Township Park.....	8,763
Fire Fighting Equipment.....	<u>34,634</u>
Total depreciation.....	<u>\$ 54,709</u>

CAMPBELL TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

4. LITIGATION

In the normal course of its activities, the Township has become a party in various legal actions, including property tax assessment appeals. Management of the Township is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Township and, therefore, has not reflected loss reserves in the financial statements.

5. DUE FROM (TO) OTHER FUNDS

Amounts due from (to) other funds representing inter-fund receivable and payable balances at March 31, 2020, are detailed as follows:

	<u>Receivable from</u>	<u>Payable to</u>
General Fund	-	95,592
Emergency Services Fund	-	263,278
Tax Agency Fund	358,870	-

The Tax Agency Fund has a \$263,278 liability to the Emergency Services Fund and a \$95,592 liability to the General Fund. These liabilities represent 2020 property tax assessments that were transferred into the General Fund and Emergency Services Fund in April 2021.

6. LEASE TO OWN ON SPENCER PUMPER

The Township entered into a capital lease to purchase a Spencer Pumper over a 5-year period at 3.15% interest for a total price of \$399,519.08. After making a down-payment during year 2017-18 of \$115,000, the township will make four yearly payments of \$71,129.77 in August 2018 through 2021. The balance of the capital lease was \$69,646.90 on March 31, 2021. Below is a schedule of current and future payments:

<u>Date</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
				385,000.00
8/1/2017	(Downpayment: \$115,000)			270,000.00
8/1/2018	71,129.77	65,382.82	5,746.95	204,617.18
8/1/2019	71,129.77	66,774.49	4,355.28	137,842.69
8/1/2020	71,129.77	68,195.79	2,933.98	69,646.90
8/1/2021	71,129.77	69,646.90	1,482.87	-
TOTALS	<u>284,519.08</u>	<u>270,000.00</u>	<u>14,519.08</u>	<u>-</u>

Required

Supplementary

Information

GENERAL FUND

The General Fund is used to account for government resources that are not required legally or by sound financial management to be recorded in another fund. Revenues in this fund are derived primarily from general property taxes, fees for services, interest, state shared revenues, grants, and intergovernmental revenues. General operating expenditures of the Township are accounted for in this fund, including Township Administration, Public Works, Parks and Recreation, and Cemetery.

The legal level of budgetary control of the General Fund is at the activity level, as reflected on the following Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

CAMPBELL TOWNSHIP – GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

FOR THE YEAR ENDED MARCH 31, 2021

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Property taxes				
Current property taxes	\$ 88,546	\$ 88,546	\$ 95,978	\$ 7,432
Delinquent property taxes	5,672	5,672	4,838	(834)
Total taxes	<u>94,218</u>	<u>94,218</u>	<u>100,816</u>	<u>6,598</u>
State sources				
State revenue sharing	<u>176,246</u>	<u>176,246</u>	<u>180,785</u>	<u>4,539</u>
Charges for services:				
Parcel splits	750	750	750	-
Cemetery services	4,500	4,500	4,595	95
Franchise fees	370	370	523	153
Park rentals	925	925	1,355	430
Telecom	<u>3,868</u>	<u>3,868</u>	<u>4,279</u>	<u>411</u>
Total fee revenue	<u>10,413</u>	<u>10,413</u>	<u>11,502</u>	<u>1,089</u>
Investment revenue:				
Interest earnings	2,557	2,557	1,718	(839)
Other revenue				
Refunds & rebates	500	500	4,875	4,375
Other revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other revenue	<u>500</u>	<u>500</u>	<u>4,875</u>	<u>4,375</u>
TOTAL REVENUES	283,934	283,934	299,696	15,762

CAMPBELL TOWNSHIP -- GENERAL FUND

**STATEMENT OF REVENUES, EXPEDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

FOR THE YEAR ENDED MARCH 31, 2021

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
EXPENDITURES				
General government				
Supervisor	\$ 13,600	\$ 13,600	\$ 13,600	\$ -
Elections	2,000	5,980	8,753	(2,773)
Assessor	24,000	24,000	22,867	1,133
Clerk	21,579	21,579	21,016	563
Board of review	1,500	1,500	979	521
Treasurer	26,079	26,079	22,976	3,103
Townhall	21,908	17,928	11,737	6,191
Audit & legal	4,000	4,000	3,800	200
Payroll taxes	5,000	5,000	3,788	1,212
Total general government	119,666	119,666	109,516	10,150
Township Board	32,250	31,250	20,856	10,394
Public works				
Roads	98,500	98,500	39,776	58,724
Drains	8,000	8,000	2,076	5,924
Total Public Works	106,500	106,500	41,852	64,648
Recreation and Culture				
Township park	11,000	11,000	8,886	2,114
Cemetery	16,125	17,125	16,311	814
TOTAL EXPENDITURES	285,541	285,541	197,421	88,120
REVENUES OVER (UNDER)				
EXPENDITURES	(1,607)	(1,607)	102,275	103,882
NET CHANGE IN FUND BALANCES	(1,607)	(1,607)	102,275	103,882
FUND BALANCE, BEGINNING OF YEAR	331,847	331,847	331,847	-
FUND BALANCE, END OF YEAR	\$ 330,240	\$ 330,240	\$ 434,122	\$ -

MAJOR FUND

SPECIAL REVENUE FUND

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Emergency Services Fund – This fund is used to account for revenues and expenses of the Campbell Township Fire Department and emergency ambulance services.

CAMPBELL TOWNSHIP

EMERGENCY SERVICES FUND

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**

FOR THE YEAR ENDED MARCH 31, 2021

	<u>BUDGETED AMOUNTS</u>			VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	POSITIVE (NEGATIVE)
REVENUES:				
Emergency Services millage	\$ 125,186	\$ 125,186	\$ 137,873	\$ 12,687
Fire Truck millage	126,328	126,328	139,166	12,838
Interest income	1,608	1,608	1,250	(358)
Other revenues	-	-	2,053	2,053
Charges for services	2,500	2,500	5,000	2,500
Total revenues	<u>255,622</u>	<u>255,622</u>	<u>285,342</u>	<u>29,720</u>
EXPENDITURES:				
Personnel and training	37,800	37,800	35,875	1,925
Equipment and supplies	127,905	127,905	129,431	(1,526)
Building maintenance	20,510	20,510	12,745	7,765
Ambulance	12,600	12,600	12,956	(356)
Total expenditures	<u>198,815</u>	<u>198,815</u>	<u>191,007</u>	<u>7,808</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>56,807</u>	<u>56,807</u>	<u>94,335</u>	<u>37,528</u>
NET CHANGE IN FUND BALANCES	56,807	56,807	94,335	37,528
FUND BALANCE, BEGINNING OF YEAR			<u>495,233</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 56,807</u>	<u>\$ 56,807</u>	<u>\$ 589,568</u>	<u>\$ -</u>

Other Supplementary Information

CAMPBELL TOWNSHIP

TAX AGENCY FUND

STATEMENT OF RECEIPTS AND PAYMENTS

FOR THE YEAR ENDED MARCH 31, 2021

Receipts:

Property taxes received	\$	3,057,623
Interest income		461
		<u>3,058,084</u>
Total receipts		

Payments:

Payments to other governments:		
County of Ionia		1,243,187
Ionia County ISD		432,029
Kent County ISD		9,292
Lakewood Public Schools		989,485
Lowell Area Schools		13,275
Saranac Community Schools		2,545
Thornapple-Kellogg Public Schools		2,442
Morrison Lake Sewer Authority		2,551
Grand Rapids Community College		2,667
Total payments to other governments		<u>2,697,473</u>
Payments to Campbell Township		324,797
Miscellaneous expenses		<u>59</u>
Total payments		3,022,329
Receipts over (under) payments		35,755
Cash balance at the beginning of the year		<u>324,552</u>
Cash balance at the end of the year	\$	<u><u>360,307</u></u>

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AUDIT COMMENTS AND COMMUNICATIONS

August 24, 2021

To the governing board of
Campbell Township
Clarksville, MI 48881
Ionia County

We have audited the financial statements of Campbell Township for the year ended March 31, 2021. As required by auditing standards generally accepted in the United States, the independent auditor is required to communicate to the governing body any recommendations regarding the township's internal control procedures and the preparation of the financial statements.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of Campbell Township in accordance with auditing standards generally accepted in the United States. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have more importance to the financial statements and greater possibilities of a material error than those items of lesser importance or those in which the possibility of a material error is remote.

Materiality is defined as the "degree of an omission or misstatement of accounting information that makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. The auditor must work within economic limits so that the auditor's activities can be performed within a reasonable length of time and at a reasonable cost. This is why the auditor's work is based on selected tests rather than an attempt to verify all transactions.

Since audit evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we developed an understanding of the internal control structure of the Township for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by an inquiry of the governing board, testing transactions, and observation and review of documents and records. Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. A control deficiency exists when the design or operation of a control does not allow management or employees to prevent or detect misstatements in the normal course of performing their assigned functions. A significant deficiency is a control deficiency that could lead to a misstatement of the government's financial statements. A material weakness is a significant deficiency that is likely to lead to a material misstatement of the government's financial statements.

COMMUNICATIONS AND RECOMMENDATIONS

Auditing standards require us to inform the authority's board about significant issues including:

- Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events may differ from management's current judgments.
- Significant audit adjustments that may not have been detected except through the auditing procedures that we performed.
- Disagreement with the governing board regarding the scope of the audit or application of accounting principles.
- Consultation with other accountants.
- Major issues discussed with the governing board prior to retention.
- Difficulties encountered in performing the audit.
- Significant deficiencies and material weaknesses in internal control.

During the course of the audit, we observed the township's procedures for preparing financial statements and the township's internal controls and wish to make the following comments and observations:

PREPARATION OF FINANCIAL STATEMENTS

We converted the township's accounting records, which are recorded on a cash-basis, to modified accrual and full accrual financial statements that are needed for the audit report. As a result, the auditor is actually auditing his own work. There is a risk that a significant deficiency could exist because the auditor may misclassify a transaction as a result of a lack of knowledge or understanding of the township.

We recommend that the township's accounting personnel begin preparing schedules used to convert cash-basis financial statements to accrual basis financial statements.

RECORDS OF FINANCIAL TRANSACTIONS

During the course of the audit, we observed that the township kept detailed, accessible records of current and prior year transactions. These records were well-organized and available to us when we had any questions that dealt with prior years.

The above comments and recommendations were considered when we determined the nature, timing, and extent of the audit tests that were applied to the audit of the township's financial statements. The communication of these issues does not affect our report on the Township's financial statements for the year ended March 31, 2021.

Sincerely,

Larry Tiejema, CPA
Lawrence Tiejema, PC

