

***Saugatuck Township Fire District
Allegan County, Michigan***

FINANCIAL STATEMENTS

Year ended June 30, 2024

CONTENTS

	<i>Page</i>
INDEPENDENT AUDITOR'S REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 8
BASIC FINANCIAL STATEMENTS	
Statement of net position	9
Statement of activities	10
Balance sheet - General Fund	11
Statement of revenues, expenditures, and changes in fund balance - General Fund	12
Notes to financial statements	13 - 22
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule - General Fund	23 - 24
Schedule of changes in the District's net pension liability and related ratios	25
Schedule of District pension contributions	26

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Saugatuck Township Fire District

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Saugatuck Township Fire District (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of June 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, 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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

Siegfried Crandall P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Saugatuck Township Fire District's (the District) financial performance provides a narrative overview of the District's financial activities for the year ended June 30, 2024. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net position increased by \$511,305 as a result of this year's activities.
- Total net position in the amount of \$3,060,955 was reported, of which \$1,842,780, represents an investment in capital assets. This leaves the District with unrestricted net position of \$1,218,175, which is available to be used at the Fire Board's discretion, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's total unassigned fund equity at the end of the fiscal year was \$1,239,230, which represents 67 percent of actual current year expenditures.

Overview of the financial statements

The District's annual report is comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide financial statements. The governmental fund statements explain how services, like public safety, were financed in the short-term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2024 and 2023 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position (the difference between the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources) is one way to measure the District's financial health, or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors, such as changes in the District's property tax base and the condition of the District's capital assets.

Fund financial statements

The fund financial statements provide more detailed information about the District's fund. A fund is an accounting device that the District uses to keep track of specific sources of funding and spending for particular purposes. All of the District's basic services are included in its governmental fund, which focuses on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position

As noted earlier, net position may serve, over time, as a useful indicator of a District's financial position. In the District's case, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the end of the fiscal year by \$3,060,955. The District's investment in capital assets, a component of the total net position, amounts to \$1,842,780. The District uses these capital assets to provide essential services to its customers; consequently, these assets are not available to be liquidated for future spending needs. The remaining net position, in the amount of \$1,218,175, is unrestricted.

*Condensed financial information
Net position*

	<u>2024</u>	<u>2023</u>
Current assets	\$ 1,395,834	\$ 763,443
Capital assets	<u>1,842,780</u>	<u>1,936,091</u>
Total assets	<u>3,238,614</u>	<u>2,699,534</u>
Deferred outflows of resources	<u>84,421</u>	<u>105,202</u>
Current and other liabilities	<u>218,260</u>	<u>177,525</u>
Deferred inflows of resources	<u>43,820</u>	<u>77,561</u>
Net position:		
Investment in capital assets	<u>1,842,780</u>	1,936,091
Unrestricted	<u>1,218,175</u>	<u>613,559</u>
Total net position	<u>\$ 3,060,955</u>	<u>\$ 2,549,650</u>

Changes in net position

The District experienced an increase in net position of \$511,305 during the current fiscal year compared to a \$64,930 increase in the prior year. Net position increased by a greater amount in the current year because revenues increased by \$581,726 while expenses only increased by \$135,351. Revenues increased primarily due to a \$455,313 increase in charges for services, associated with an increase in special assessments. Expenses increased due to higher personnel and operating costs.

The District's total revenues were \$2,479,851 in the current fiscal year. Special assessments, in the amount of \$2,135,012, represent 86 percent of the District's revenues.

The total cost of the District's operations amounted to \$1,968,546 in the current year compared to \$1,833,195 in the prior year, or an increase of \$135,351 (7 percent). Approximately 51 percent of the expenses, in the amount of \$995,841, represent personnel costs. Depreciation expense, in the amount of \$234,223, represents 12 percent of the District's total expenses.

*Condensed financial information
Changes in net position*

	<u>2024</u>	<u>2023</u>
Revenues:		
Capital grants	\$ 130,987	\$ 23,443
Operating grants	12,500	109,155
Charges for services	2,210,963	1,755,650
Interest	<u>34,662</u>	<u>9,877</u>
Total revenues	2,479,851	1,898,125
Expenses - public safety	<u>1,968,546</u>	<u>1,833,195</u>
Changes in net position	<u>511,305</u>	<u>64,930</u>
Net position, end of year	<u>\$ 3,060,955</u>	<u>\$ 2,549,650</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

At June 30, 2024, the District's sole governmental fund, the General Fund, reported an ending fund balance of \$1,268,113, which represents 68 percent of the fund's actual total expenditures for the current fiscal year. The fund balance increased by \$598,749, primarily due to an increase in special assessment revenues, as the millage rate was increased from 2.2 to 2.5 in the current year.

General Fund budgetary highlights

The District amended the General Fund budget during the year to account for previously unanticipated revenues and expenditures. Budgeted revenues were increased by \$273,219, primarily due to charges for services and other revenues, which were increased by \$73,190 and \$132,339, respectively. Total budgeted expenditures were increased by \$273,219. Public safety expenditures were increased by \$42,313, primarily due to professional service costs that were not anticipated in the original budget. Capital outlay expenditures were also increased by \$230,906 related to acquisitions that were not anticipated in the original budget.

Actual revenues were \$7,161 more than budgeted. Actual expenditures were \$550,988 less than appropriations, as public safety and capital outlay expenditures were less than budgeted by \$376,280 and \$174,708, respectively, as costs were lower than anticipated.

These variances, along with a \$40,600 positive variance associated with other financing sources, resulted in a \$598,749 positive budget variance, with a \$598,749 increase in fund balance compared to a budget that anticipated no change in fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The District's investment in capital assets as of June 30, 2024, amounts to \$1,842,780 (net of accumulated depreciation). Capital assets consist of land, buildings, equipment, and vehicles. The net decrease in capital assets amounted to \$93,311 in the current year, as asset acquisitions of \$216,937 were exceeded by the depreciation provision of \$234,223 and the net book value of asset dispositions of \$76,025.

More detailed information about the District's capital assets is presented in Note 4 of the notes to the basic financial statements.

Debt

The District reported no long-term debt at the beginning or end of its fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The District continues to rely primarily on special assessment revenues to finance all operating costs and capital acquisitions. The District expects to be able to use current revenues to provide essential services that will allow the current fund balance to be maintained.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Greg Janik, Chief
Saugatuck Township Fire District
3342 Blue Star Highway
Saugatuck, MI 49453

Phone: (269) 857-3000

BASIC FINANCIAL STATEMENTS

Saugatuck Township Fire District

STATEMENT OF NET POSITION - governmental activities

June 30, 2024

ASSETS

Current assets:

Cash	\$	12,818
Investments		1,377,054
Accounts receivable		<u>5,962</u>

Total current assets 1,395,834

Noncurrent assets:

Capital assets not being depreciated		22,726
Capital assets, net of accumulated depreciation		<u>1,820,054</u>

Total noncurrent assets 1,842,780

Total assets 3,238,614

DEFERRED OUTFLOWS OF RESOURCES - Deferred pension amounts 84,421

LIABILITIES

Current liabilities:

Accounts payable		64,183
Accrued payroll and taxes		<u>63,538</u>

Total current liabilities 127,721

Noncurrent liabilities - net pension liability 90,539

Total liabilities 218,260

DEFERRED INFLOWS OF RESOURCES - Deferred pension amounts 43,820

NET POSITION

Investment in capital assets		1,842,780
Unrestricted		<u>1,218,175</u>

Total net position \$ 3,060,955

See notes to financial statements

Saugatuck Township Fire District

STATEMENT OF ACTIVITIES

Year ended June 30, 2024

	<u>Expenses</u>	<u>Program revenues</u>		<i>Net (expenses)</i>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<i>revenue and changes in net position</i>
Functions/Programs				<u>Governmental activities</u>	
Governmental activities - public safety	\$ 1,968,546	\$ 2,210,963	\$ 12,500	\$ 130,987	\$ 385,904
		General revenues:			
		Insurance proceeds			99,296
		Gain (loss) on disposition of capital assets			(8,557)
		Interest income			34,662
		Total general revenues			125,401
		Changes in net position			511,305
		Net position - beginning			2,549,650
		Net position - ending			\$ 3,060,955

See notes to financial statements

Saugatuck Township Fire District

BALANCE SHEET - General Fund

June 30, 2024

ASSETS

Cash	\$ 12,818
Investments	1,377,054
Receivables	<u>5,962</u>
Total assets	<u><u>\$ 1,395,834</u></u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 64,183
Accrued payroll and taxes	<u>63,538</u>
Total liabilities	<u>127,721</u>

Fund balances:

Assigned	27,443
Unassigned	<u>1,240,670</u>
Total fund balances	<u>1,268,113</u>

Total liabilities and fund balances \$ 1,395,834

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds \$ 1,268,113

Amounts reported for *governmental activities* in the statement of net position (page 9) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the fund. 1,842,780

Deferred outflows of resources, related to the pension plan, relate to future years, and are not reported in the fund. 84,421

The net pension liability is not due and payable in the current period and, therefore, is not reported in the fund. (90,539)

Deferred inflows of resources, related to the pension plan, relate to future years, and are not reported in the fund. (43,820)

Net position of *governmental activities* \$ 3,060,955

See notes to financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - General Fund

Year ended June 30, 2024

REVENUES

Special assessments	\$ 2,135,012
State grants	8,410
Charges for services	75,951
Interest	34,662
Miscellaneous	<u>135,077</u>
Total revenues	<u>2,389,112</u>

EXPENDITURES

Current - public safety	1,686,933
Capital outlay	<u>175,298</u>
Total expenditures	<u>1,862,231</u>

EXCESS OF REVENUES OVER EXPENDITURES

526,881

OTHER FINANCING SOURCES

Insurance proceeds	4,400
Proceeds from sale of assets	<u>67,468</u>
Net other financing sources	<u>71,868</u>

NET CHANGE IN FUND BALANCE

598,749

FUND BALANCE - BEGINNING

669,364

FUND BALANCE - ENDING

\$ 1,268,113

Reconciliation of the statement of revenues, expenditures, and changes in fund balance to the statement of activities:

Net change in fund balance - total governmental fund	\$ 598,749
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Amounts reported for *governmental activities* in the statement of activities (page 10) are different because:

Capital assets:

Assets acquired	216,937
Provision for depreciation	(234,223)
Net book value of asset dispositions	(76,025)

Changes in other liabilities - increase in net pension liability	(7,093)
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Changes in deferred outflows of resources and deferred inflows of resources:

Net decrease in deferred outflows of resources related to pension	(20,781)
Net decrease in deferred inflows of resources related to pension	<u>33,741</u>

Change in net position of <i>governmental activities</i>	<u><u>\$ 511,305</u></u>
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Saugatuck Township Fire District (the District) conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

As required by generally accepted accounting principles, these financial statements present only the District (located in Allegan County), as management has determined that there are no other entities for which the District is financially accountable.

The District is a jointly governed organization of the Township of Saugatuck, the City of Saugatuck, and the City of the Village of Douglas, formed May 18, 1976, to provide fire protection within the participating municipalities. Costs of operations and capital expenditures are supported by contributions from the participating municipalities.

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District.

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

Measurement focus, basis of accounting, and financial statement presentation:

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

Governmental funds 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 if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are expected to be 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Revenues are primarily derived from special assessments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity:

Cash and investments - Cash is considered to be demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value, with changes in value recognized in the operating statement. Realized and unrealized gains and losses are included in investment income.

Receivables - No allowance for uncollectible accounts has been recorded, as the District considers all receivables to be fully collectible.

Capital assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District 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 recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 40 years
Equipment	10 - 20 years
Vehicles	5 - 15 years

Deferred outflows of resources - The statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The related expense will not be recognized until a future event occurs. The District reports deferred amounts relating to the defined benefit pension plan, associated with changes in expected and actual investment returns, assumptions, and benefits, which are discussed in Note 6. No deferred outflows of resources affect the governmental funds financial statements.

Deferred inflows of resources - The statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in equity that applies to a future period. The related revenues will not be recognized until a future event occurs. The District reports deferred amounts relating to the defined benefit pension plan, associated with changes in expected and actual investment returns, assumptions, and benefits, which are discussed in Note 6. No deferred outflows of resources affect the governmental funds financial statements.

Pension - For purposes of measuring the net pension liability (asset), deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan’s fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows. The District reports three categories of net position, as follows: (1) *Net Investment in capital assets* consists of net capital assets and related deferred outflows of resources reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or donors. Restricted net position is reduced by liabilities related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity (continued):

Net position flow assumption - Sometimes, the District 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund equity - The Fire Board reserves the authority to assign fund balance. Unassigned fund balance is the residual classification for the Operating Fund. When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use the assigned fund balance first, then unassigned fund balance.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 revenue and expenses during the period. Accordingly, actual results could vary from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The budget document presents information by function and line-item. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. No reportable negative budget variances occurred during the current fiscal year.

NOTE 3 - CASH AND INVESTMENTS

Cash - Cash consists solely of deposits with financial institutions. Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the District's investment policy authorize the District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan. The District's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the District may not be able to recover its deposits. The District's investment policy does not specifically address custodial credit risk for deposits. At June 30, 2024, none of the District's bank balances of \$22,750 was exposed to custodial credit risk.

Investments - State statutes and the District's investment policy authorize the District to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds composed of otherwise legal investments; and f) investment pools organized under the local government investment pool act.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments in entities that calculate net asset value per share - The District holds shares in an investment pool where the fair value of the investment is measured on a recurring basis using net asset value per share of the investment pool as a practical expedient. At June 30, 2024, the fair value, unfunded commitments, and redemption rules of that investment is as follows:

	<u>Michigan CLASS Pool</u>
Fair value at June 30, 2024	\$ 1,377,054
Unfunded commitments	none
Redemption frequency	n/a
Notice period	none

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasury agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. The pool purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 22,726	\$ -	\$ -	\$ 22,726
Capital assets being depreciated:				
Buildings	847,221	-	-	847,221
Equipment	1,027,534	46,841	(106,216)	968,159
Vehicles	2,150,766	170,096	(148,729)	2,172,133
Subtotal	<u>4,025,521</u>	<u>216,937</u>	<u>(254,945)</u>	<u>3,987,513</u>
Less accumulated depreciation for:				
Buildings	(397,687)	(34,552)	-	(432,239)
Equipment	(634,982)	(95,116)	101,270	(628,828)
Vehicles	(1,079,487)	(104,555)	77,650	(1,106,392)
Subtotal	<u>(2,112,156)</u>	<u>(234,223)</u>	<u>178,920</u>	<u>(2,167,459)</u>
Total capital assets being depreciated, net	<u>1,913,365</u>	<u>(17,286)</u>	<u>(76,025)</u>	<u>1,820,054</u>
Governmental activities capital assets, net	<u>\$ 1,936,091</u>	<u>\$ (17,286)</u>	<u>\$ (76,025)</u>	<u>\$ 1,842,780</u>

The entire depreciation provision is allocated to the public safety function.

NOTE 5 - DEFINED BENEFIT PENSION PLAN*Plan description:*

The District participates in the Municipal Employees' Retirement System of Michigan (MERS). MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at www.mersofmich.com.

NOTE 5 - DEFINED BENEFIT PENSION PLAN (continued)

Benefits provided:

The District’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries and covers all full-time employees of the District. Retirement benefits for eligible employees are calculated as 2.25% of the employee’s three-year final average compensation, times the employee’s years of service, with a maximum of 80% of final average compensation. Normal retirement age is 60 with early retirement at age 50, with 25 years of service, or age 55, with 15 years of service. Deferred retirement benefits vest after ten years of credited service but are not paid until the date retirement would have occurred had the member remained an employee. Employees are not required to contribute to the plan. An employee who leaves service may withdraw their contributions, plus any accumulated interest. Benefit terms, within the parameters established by MERS, are established and amended by the authority of the District Board.

Employees covered by benefit terms:

At the December 31, 2023, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>6</u>
 Total	 <u><u>9</u></u>

Contributions:

The District is required to contribute amounts at least equal to an actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2024, the District contributed \$67,982 to the plan, which amounted to 12.58% of covered payroll. Employees are not required to make contributions.

Net pension liability:

The District’s net pension liability reported at June 30, 2024, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2023. The total pension liability at December 31, 2023, was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.00%	In the long term
Investment rate of return	6.93%	Net of investment expense, including inflation

Mortality rates were based on a 50 percent male, 50 percent female blend of the Pub-2010 fully generational MP-2019 scale.

The actuarial assumptions used in the December 31, 2023, valuation were based on the results of the actuarial experience studies covering 2014-2018 and dated 2020.

NOTE 5 - DEFINED BENEFIT PENSION PLAN (continued)

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>	<u>Expected money-weighted rate of return</u>
Global equity	60.00%	4.50%	2.70%
Global fixed income	20.00%	2.00%	0.40%
Private investments	<u>20.00%</u>	7.00%	1.40%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses			<u>0.18%</u>
Investment rate of return			<u>7.18%</u>

Discount rate:

The discount rate used to measure the total pension liability is 7.18% for 2023. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 5 - DEFINED BENEFIT PENSION PLAN (continued)

Changes in the net pension liability (asset):

	<i>Increase (decrease)</i>		
	<i>Total pension liability</i> <i>(a)</i>	<i>Plan fiduciary net position</i> <i>(b)</i>	<i>Net pension liability (asset)</i> <i>(a) - (b)</i>
Balances at December 31, 2022	\$ 642,920	\$ 559,474	\$ 83,446
Changes for the year:			
Service cost	56,580	-	56,580
Interest	48,087	-	48,087
Differences between expected and actual experience	28,240	-	28,240
Changes in assumptions	6,831	-	6,831
Employer contributions	-	68,533	(68,533)
Net investment income	-	65,498	(65,498)
Benefit payments, including refunds	(15,901)	(15,901)	-
Administrative expenses	-	(1,384)	1,384
Other	2	-	2
Net changes	<u>123,839</u>	<u>116,746</u>	<u>7,093</u>
Balances at December 31, 2023	<u>\$ 766,759</u>	<u>\$ 676,220</u>	<u>\$ 90,539</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate:

The following presents the net pension liability of the District, calculated using a discount rate of 7.18%, as well as what the District's net pension liability would be using a discount rate that is 1 percentage point lower (6.18%) or 1 percentage point higher (8.18%) than the current rate.

	<i>1% decrease</i> <i>(6.18%)</i>	<i>Current rate</i> <i>(7.18%)</i>	<i>1% increase</i> <i>(8.18%)</i>
District's net pension liability	<u>\$ 198,741</u>	<u>\$ 90,539</u>	<u>\$ 888</u>

NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

Pension plan fiduciary net position:

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MERS financial report, which can be found at www.mersofmich.com. The plan’s fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due. Benefit payments are recognized as expenses when due and payable in accordance with benefit terms.

Pension expense, deferred outflows of resources, and deferred inflows of resources related to the pension plan:

For the fiscal year ended June 30, 2024, the District recognized pension expense of \$62,306. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between projected and actual earnings	\$ -	\$ 43,820
Difference between expected and actual experience	22,309	-
Difference in assumptions	<u>25,792</u>	<u>-</u>
	48,101	43,820
Contributions made subsequent to the measurement date	<u>36,320</u>	<u>-</u>
Totals	<u>\$ 84,421</u>	<u>\$ 43,820</u>

The amount reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date, in the amount of \$36,320, will be recognized as a reduction in the net pension liability in fiscal year 2025.

Other amounts reported as deferred outflows of resources or deferred inflows of resources, related to the pension plan, will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
2025	\$ 8,520	\$ 5,501
2026	13,248	6,374
2027	19,588	6,851
2028	(967)	6,802
2029	2,223	5,477
2030	2,223	5,477
2031	3,266	9,085
2032	<u>-</u>	<u>(1,747)</u>
	<u>\$ 48,101</u>	<u>\$ 43,820</u>

NOTE 6 - DEFINED CONTRIBUTION PENSION PLAN

The District contributes to the Saugatuck Township Fire District MERS Defined Contribution Plan (the Plan), a defined contribution pension plan, for substantially all of its paid-on-call employees. The Plan is administered by a third-party administrator.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the District Board. Employees are eligible to participate after completing one year of service. For each eligible employee in the pension plan, the District is required to match employee contributions up to 6% of covered wages. Employees are not required to make contributions to the Plan but can make contributions up to the maximum allowed. The District made contributions of \$52,295 during the fiscal year ended June 30, 2024.

Employees become vested in District contributions and earnings on District contributions after completion of three years of firefighting service with the District. Nonvested District contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended June 30, 2024, there were no forfeitures. At June 30, 2024, there were no accrued liabilities relating to Plan contributions.

The District is not a trustee of the plan, nor is the District responsible for investment management of plan assets.

NOTE 7 - DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The assets of the plans were held in trust (custodial account or annuity contract), as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Districts' financial statements.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss to general liability, property and casualty, and workers' compensation, with such risks being managed through the purchase of commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

REQUIRED SUPPLEMENTARY INFORMATION

Saugatuck Township Fire District

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2024

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Special assessments:				
Township of Saugatuck	\$ 1,072,000	\$ 1,069,709	\$ 1,069,709	\$ -
City of the Village of Douglas	546,000	546,473	546,473	-
City of Saugatuck	517,000	518,830	518,830	-
	<u>2,135,000</u>	<u>2,135,012</u>	<u>2,135,012</u>	<u>-</u>
Total special assessments	<u>2,135,000</u>	<u>2,135,012</u>	<u>2,135,012</u>	<u>-</u>
State grants	-	8,410	8,410	-
Charges for services	3,000	76,190	75,951	(239)
Interest	1,000	29,000	34,662	5,662
Other	1,000	133,339	135,077	1,738
	<u>2,140,000</u>	<u>2,381,951</u>	<u>2,389,112</u>	<u>7,161</u>
Total revenues	<u>2,140,000</u>	<u>2,381,951</u>	<u>2,389,112</u>	<u>7,161</u>
EXPENDITURES				
Public safety:				
Salaries and wages:				
Chief	118,000	118,000	110,000	8,000
Board and officers	14,650	14,650	10,829	3,821
Full-time firefighters	575,000	575,000	488,198	86,802
Firefighters and medical responders	357,000	362,000	314,569	47,431
Payroll taxes	98,000	98,000	72,245	25,755
Telephone	13,500	13,500	13,510	(10)
Repairs and maintenance:				
Radio	10,000	10,000	7,416	2,584
Building	30,000	30,000	26,544	3,456
Boat	19,000	19,000	11,543	7,457
Vehicle	55,000	66,000	66,034	(34)
Building security	2,000	2,000	1,669	331
Uniforms and turn-out gear	55,000	55,000	10,990	44,010
Operating supplies	25,000	25,000	15,097	9,903
Gas and oil	20,000	20,000	19,392	608
Insurance	35,000	38,100	38,073	27
Health insurance	140,000	140,000	107,431	32,569
Retirement	142,000	142,000	142,000	-

Saugatuck Township Fire District

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2024

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)				
Public safety (continued):				
Workers compensation insurance	\$ 100,000	\$ 100,000	\$ 48,485	\$ 51,515
Utilities	20,000	20,000	14,922	5,078
Physicals	15,000	15,000	-	15,000
Professional services	30,000	53,213	48,255	4,958
Equipment testing	20,000	20,000	19,149	851
Tools	16,250	16,250	11,348	4,902
Fire prevention	15,000	15,000	12,760	2,240
Education	33,000	33,000	25,787	7,213
Medical supplies	20,000	20,000	13,513	6,487
Office expense	12,000	12,000	9,874	2,126
Technology	23,000	23,000	22,568	432
Other	7,500	7,500	4,732	2,768
Total public safety	<u>2,020,900</u>	<u>2,063,213</u>	<u>1,686,933</u>	<u>376,280</u>
Capital outlay	<u>119,100</u>	<u>350,006</u>	<u>175,298</u>	<u>174,708</u>
Total expenditures	<u>2,140,000</u>	<u>2,413,219</u>	<u>1,862,231</u>	<u>550,988</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>-</u>	<u>(31,268)</u>	<u>526,881</u>	<u>558,149</u>
OTHER FINANCING SOURCES				
Insurance proceeds	-	-	4,400	4,400
Proceeds from sale of assets	<u>-</u>	<u>31,268</u>	<u>67,468</u>	<u>36,200</u>
Total other financing sources	<u>-</u>	<u>31,268</u>	<u>71,868</u>	<u>40,600</u>
NET CHANGES IN FUND BALANCES				
	-	-	598,749	598,749
FUND BALANCES - BEGINNING				
	<u>669,364</u>	<u>669,364</u>	<u>669,364</u>	<u>-</u>
FUND BALANCES - ENDING				
	<u>\$ 669,364</u>	<u>\$ 669,364</u>	<u>\$ 1,268,113</u>	<u>\$ 598,749</u>

Saugatuck Township Fire District

SCHEDULE OF CHANGES IN THE DISTRICT'S NET PENSION LIABILITY AND RELATED RATIOS

Year ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:										
Service cost	56,580	\$ 53,529	\$ 40,830	\$ 34,379	\$ 28,853	\$ 24,437	\$ 23,753	\$ 18,954	\$ 20,979	\$ 11,383
Interest	48,087	41,008	46,509	40,767	39,683	37,158	34,660	32,284	29,868	28,783
Differences between expected and actual experience	28,240	17,475	(143,613)	36,088	(11,935)	(451)	4,277	7,865	3,295	-
Changes in assumptions	6,831	-	24,136	(10,434)	12,820	-	-	-	20,186	-
Benefit payments, including refunds	(15,901)	(15,901)	(25,177)	(31,803)	(31,803)	(31,803)	(31,803)	(31,803)	(31,803)	(31,803)
Other	(1)	-	(1)	1	-	2	-	-	-	-
Net change in total pension liability	123,836	96,111	(57,316)	68,998	37,618	29,343	30,887	27,300	42,525	8,363
Total pension liability, beginning of year	<u>642,920</u>	<u>546,809</u>	<u>604,125</u>	<u>535,127</u>	<u>497,509</u>	<u>468,166</u>	<u>437,279</u>	<u>409,979</u>	<u>367,454</u>	<u>359,091</u>
Total pension liability, end of year	<u>766,756</u>	<u>\$ 642,920</u>	<u>\$ 546,809</u>	<u>\$ 604,125</u>	<u>\$ 535,127</u>	<u>\$ 497,509</u>	<u>\$ 468,166</u>	<u>\$ 437,279</u>	<u>\$ 409,979</u>	<u>\$ 367,454</u>
Plan fiduciary net position:										
Contributions - employer	68,533	\$ 65,593	\$ 48,729	\$ 45,641	\$ 35,700	\$ 31,286	\$ 27,385	\$ 22,986	\$ 14,796	\$ 5,888
Net investment income (loss)	65,495	(59,641)	68,951	55,333	49,063	(14,843)	44,189	34,938	(4,768)	20,810
Benefit payments, including refunds	(15,901)	(15,901)	(25,177)	(31,803)	(31,803)	(31,803)	(31,803)	(31,803)	(31,803)	(31,803)
Administrative expenses	(1,384)	(1,099)	(790)	(843)	(844)	(729)	(700)	(690)	(713)	(758)
Net change in plan fiduciary net position	116,743	(11,048)	91,713	68,328	52,116	(16,089)	39,071	25,431	(22,488)	(5,863)
Plan fiduciary net position, beginning of year	<u>559,474</u>	<u>570,522</u>	<u>478,809</u>	<u>410,481</u>	<u>358,365</u>	<u>374,454</u>	<u>335,383</u>	<u>309,952</u>	<u>332,440</u>	<u>338,303</u>
Plan fiduciary net position, end of year	<u>676,217</u>	<u>\$ 559,474</u>	<u>\$ 570,522</u>	<u>\$ 478,809</u>	<u>\$ 410,481</u>	<u>\$ 358,365</u>	<u>\$ 374,454</u>	<u>\$ 335,383</u>	<u>\$ 309,952</u>	<u>\$ 332,440</u>
District's net pension (asset)/liability, end of year	<u>90,539</u>	<u>\$ 83,446</u>	<u>\$ (23,713)</u>	<u>\$ 125,316</u>	<u>\$ 124,646</u>	<u>\$ 139,144</u>	<u>\$ 93,712</u>	<u>\$ 101,896</u>	<u>\$ 100,027</u>	<u>\$ 35,014</u>
Plan fiduciary net position as a percent of total pension liability	88.19%	87.02%	104.34%	79.26%	76.71%	72.03%	79.98%	76.70%	75.60%	90.47%
Covered payroll	540,233	\$ 444,225	\$ 364,551	\$ 349,376	\$ 303,073	\$ 250,382	\$ 248,199	\$ 198,475	\$ 200,376	\$ 108,720
District's net pension (asset)/liability as a percentage of covered payroll	16.76%	18.78%	-6.50%	35.87%	41.13%	55.57%	37.76%	51.34%	49.92%	32.21%

Saugatuck Township Fire District

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS

Last Ten Fiscal Years Ended June 30

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 67,982	\$ 78,512	\$ 55,130	\$ 47,580	\$ 42,255	\$ 31,162	\$ 30,319	\$ 25,655	\$ 18,405	\$ 11,785
Contributions in relation to the actuarially determined contributions	<u>67,982</u>	<u>78,512</u>	<u>55,130</u>	<u>47,580</u>	<u>42,255</u>	<u>31,162</u>	<u>30,319</u>	<u>25,655</u>	<u>18,405</u>	<u>11,785</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 540,233	\$ 444,225	\$ 364,551	\$ 349,376	\$ 303,073	\$ 250,382	\$ 248,199	\$ 213,867	\$ 175,753	\$ 100,770
Contributions as a percentage of covered payroll	12.58%	17.67%	15.12%	13.94%	12.45%	12.22%	12.00%	10.47%	11.69%	0.00%

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal cost
Amortization method	Level percentage of pay, open
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.93%, net of investment and administrative expenses, including inflation
Retirement age	Normal retirement age is 60 years
Mortality	Pub-2010 Mortality tables