

SPRING ARBOR TOWNSHIP
JACKSON COUNTY, MICHIGAN

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED MARCH 31, 2025

SPRING ARBOR TOWNSHIP
ANNUAL FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

Spring Arbor Township Board
Jackson County, Michigan

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spring Arbor Township (the "Township") as of and for the year ended March 31, 2025 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township as of March 31, 2025 and the respective changes in its 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 (GAAS). 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 Township and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for 12 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 GAAS 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 GAAS, 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 Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

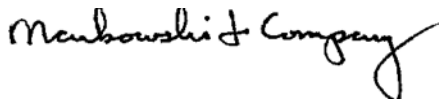
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of 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, which 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 supplemental 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Spring Arbor Township's basic financial statements. The combining and individual non major financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



MARKOWSKI & COMPANY, CPAs
September 18, 2025

SPRING ARBOR TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

SPRING ARBOR TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

As the Township Board of Spring Arbor Township, we offer the readers of these financial statements this narrative overview and analysis of the financial activities of Spring Arbor Township for the fiscal year ended March 31, 2025.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Spring Arbor Township as a Whole

The Township has a combined net position of \$9,627,520. A significant portion of the Township's net position reflects its investment in capital assets (e.g., land, buildings, furniture and equipment and infrastructure such as water and sewer lines). The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Combined net position increased \$23,111 during the year ended March 31, 2025. Revenues from the recognition of Federal Grants (ARPA) continued to assist the Township in needed capital upgrades.

In a condensed format, the following table shows net position as of March 31, 2025 and 2024:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current Assets	\$ 6,827,581	\$ 7,375,205	\$ 1,365,649	\$ 1,094,407	\$ 8,193,230	\$ 8,469,612
Capital assets, net	5,300,295	3,755,235	1,493,856	4,665,773	6,794,151	8,421,008
Total assets	12,127,876	11,130,440	2,859,505	5,760,180	14,987,381	16,890,620
Current liabilities	839,284	1,078,962	9,428	120,622	848,712	1,199,584
Noncurrent liabilities	4,259,831	4,819,663	-	984,231	4,259,831	5,803,894
Total liabilities	5,099,115	5,898,625	9,428	1,104,853	5,108,543	7,003,478
Deferred inflows	251,318	282,733	-	-	251,318	282,733
Net Position:						
Invested in capital assets - net of debt	5,300,295	3,755,235	1,493,856	3,621,542	6,794,151	7,376,777
Restricted	3,452,917	2,933,947	-	-	3,452,917	2,933,947
Unrestricted	(1,975,769)	(1,740,100)	1,356,221	1,033,785	(619,548)	(706,315)
Total net position	\$ 6,777,443	\$ 4,949,082	\$ 2,850,077	\$ 4,655,327	\$ 9,627,520	\$ 9,604,409

SPRING ARBOR TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

Spring Arbor Township as a Whole (Continued)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program Revenues						
Charges for Services	\$ 275,622	\$ 213,473	\$ 1,438,844	\$ 1,215,489	\$ 1,714,466	\$ 1,428,962
Operating Grants and Contributions	1,558,440	1,541,437	-	-	1,558,440	1,541,437
Capital Grants and Contributions	436,019	-	-	7,635	436,019	7,635
General Revenues						
Operating Property Taxes	341,096	320,646	-	-	341,096	320,646
State-Shared Revenues	965,495	963,305	-	-	965,495	963,305
Interest Income	191,855	152,470	28,907	17,778	220,762	170,248
Franchise Fees	85,799	93,270	-	-	85,799	93,270
Telecommunication Fees	11,308	9,235	-	-	11,308	9,235
Other Income	7,423	1,211	-	-	7,423	1,211
Total Revenues	<u>3,873,057</u>	<u>3,295,047</u>	<u>1,467,751</u>	<u>1,240,902</u>	<u>5,340,808</u>	<u>4,535,949</u>
Program Expenses						
Legislative	46,350	31,851	-	-	46,350	31,851
General Government	543,313	638,531	-	-	543,313	638,531
Public Safety	961,557	757,667	-	-	961,557	757,667
Public Works	69,254	48,457	-	-	69,254	48,457
Recreation and Culture	37,822	48,894	-	-	37,822	48,894
Depreciation	118,673	134,535	-	-	118,673	134,535
Debt Service	267,727	251,005	-	-	267,727	251,005
Sewer	-	-	729,361	673,129	729,361	673,129
Water	-	-	289,617	360,375	289,617	360,375
Total Expenses	<u>2,044,696</u>	<u>1,910,940</u>	<u>1,018,978</u>	<u>1,033,504</u>	<u>3,063,674</u>	<u>2,944,444</u>
Income Before Special Items	1,828,361	1,384,107	448,773	207,398	2,277,134	1,591,505
Special Items - Transfer of Operations	-	-	2,254,023	-	2,254,023	-
Change in Net Position	<u>\$ 1,828,361</u>	<u>\$ 1,384,107</u>	<u>\$ (1,805,250)</u>	<u>\$ 207,398</u>	<u>\$ 23,111</u>	<u>\$ 1,591,505</u>

SPRING ARBOR TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

The Township had governmental revenues of \$3,873,057, an increase of \$578,010 led by federal grants and the increase in interest revenues from investing savings from prior years.

The Township's budget was expended largely on public safety, with expenditures of \$961,557 compromising 47% of total governmental expenditures. The remaining budget dedicated to other functions such as elections, assessing, zoning, recreation and culture, and Township administration.

Business-Type Activities

The Township's business-type activities consist of its Sewer and Water Funds. The funds had a decrease in net position of \$1,805,250. The decrease was due to the transfer of all water operations to a neighboring township (Summit Township) effective January 1, 2025. Spring Arbor Township transferred all water assets along with the related debt in the amount of \$2,254,023. Rates were increased to cover the increasing cost in maintenance to the aging system.

The Township's Funds

The fund financial statements provide a more detailed analysis of the Township's operations, which is focused primarily on the current use of available resources. The Township maintains several funds to help manage money designated for special purposes, as well as to show accountability for certain activities.

The General Fund, the major governmental fund, relates to the general governmental activities of the Township, which are financed by property tax levies, by distribution of state shared revenues, and from fees charged for various municipal activities and services. The General Fund's fund balance decreased \$806,665, the result of \$1,605,544 in the Township hall building renovations. Total revenues in the General Fund were \$2,192,580. Total expenditures were \$2,799,245 with additional transfers of \$200,000 to the Fire Fund to finance public safety.

The Fire Millage Fund accounts for the Township Fire Department and its activities and purchase of related capital vehicles and equipment. The Fire Millage Fund balance increased by \$300,646, as the General Fund transferred \$200,000 for fire operations.

The Sewer and Water Funds are used to account for business-like activities provided to the Township's residents. The Township charges for water and sewer service and other related goods and services. Net assets decreased by \$1,805,250. The total operating revenues were \$1,438,844 and operating expenses were \$1,003,315. The Water Fund transferred all operations to Summit Township on January 1, 2025 to better serve township residents.

SPRING ARBOR TOWNSHIP
MANAGEMENT’S DISCUSSION AND ANALYSIS

The Township’s Funds (Continued)

The Township maintains other Special Revenue Funds to account for resources set aside for specific purposes, as well as Expendable Trust Funds to account for assets held for individuals in a trustee capacity.

Budgetary Highlights

The original budget adopted for the Township’s General Fund projected a \$152,315 increase in fund balance. As the year progressed and actual events took place, an amended budget was adopted to reflect the changing financial picture.

The final General Fund budget projected a \$1,375,108 decrease in fund balance with the General Fund transferring \$200,000 to other funds. The significant decrease was amended to reflect significant capital improvements to the Township hall.

The original budget adopted for the Township’s Fire Millage Fund projected a \$50,702 increase in fund balance. The budget was amended slightly during 2025.

Capital Asset and Debt Administration

At the end of the March 31, 2025 fiscal year, the Township had \$6,794,151 invested in its capital assets, net of accumulated depreciation.

A summary of capital assets follows:

	Governmental Activities	Business-Type Activities	Total
	(Net of Accumulated Depreciation)		
Land	\$ 439,845	\$ 39,098	\$ 478,943
Land Improvements	566,647	-	566,647
Building and Improvements	2,261,850	-	2,261,850
Water and Sewer Systems	-	1,454,758	1,454,758
Furniture & Equipment	883,410	-	883,410
Vehicles	1,148,543	-	1,148,543
Total	\$ 5,300,295	\$ 1,493,856	\$ 6,794,151

At the end of the year the Township had total debt outstanding of \$6,354,231. The debt represents general obligation bonds from the governmental capital improvement fund for road construction.

SPRING ARBOR TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

Each year Township management explores cost saving measures as it plans for future development of our community. This everyday attention to efficiency is inherent in carrying out routine managerial and operating responsibilities as well. To this end our contracts with Summit Township for the sharing of our Fire Chief services and the management of Sewer operations continue to deliver economies to all parties involved.

State revenues have stabilized, and property values have increased during the year. Post Covid-19 we continue to experience supply chain issues and increased costing for supplies and materials. This effects all departments and the financial impacts remain to be seen, as it relates to our revenue sharing and funding for the next few years. Our Township received the federal American Rescue Plan Act (ARPA) grant money awarding us \$826,000. The Township has allocated the use of these funds to help with needed infrastructure, hazard pay, parks, neighborhood improvements and township facilities. Expenditure of these monies and reporting documents have fulfilled the requirements of the act. The November 2019 approval of a 5-year Fire Millage began with the 2019 December tax collections and provides the funding process for stabilizing our Fire Department's financial needs. Voters approved a six-year renewal of this millage in August of 2025 and our millage resets to 2 mills in December of 2025.

Spring Arbor Township Board and staff work together to strategize for the future needs of the township and operate efficiently daily. In 2023 our board appointed new people to fill out the terms of both our Clerk who retired and Treasurer due to moving. We are blessed to have both highly qualified individuals serving in those roles and their abilities have been beneficial in the last year. Our Treasurer is also a CPA providing guidance and oversight in all things financially.

We continue to operate under contract extension with the City of Jackson for sewage treatment. As of this writing we are hopeful of having a contract in early 2026. The original contract with six governmental units expired in 2016 and while negotiations began in earnest, due to manpower turnover at the City, negotiations stopped. In September 2020 contract talks began again with new leadership at the city as well as in several customer townships. We have experienced many delays due to turnover and the number of member communities involved in these talks. Our sewer maintenance and repair plan focused on cleaning, easement clearing and repair of all township sewer lines and lift stations continues. Five lift stations have now been rebuilt under this program with two additional planned. We also are working on a plan to improve the Dearing Rd corridor with equalization of lines. Our sewer system is alarmed and monitored with additional flow metering, utilizing new technology made possible with ARPA funding, and has improved efficiency, response times and diagnostics. All operations and maintenance continue under the supervision of Summit Township DPW as previously mentioned. This has improved all aspects of sewer operations and maintenance.

The Township combined its water system with Summit Township at the end of 2025. The water system serving our township is now known as the Summit Water System. This collaboration of Spring Arbor Township and Summit Township was done to provide both systems short- and long-term stability and operating efficiencies. The action was approved by EGLE and both township boards unanimously. Our original plan of adding a well site in the township continues with Summit Water and we continue to work together to those ends.

SPRING ARBOR TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates (Continued)

Harmony Park saw improvements to our historic schoolhouse museum, play areas, ADA access to restrooms, pavilion and parking. We are planning on similar improvements for Gallagher in the future. Our Teft Road Non-Motorized Trail continues to be popular with residents. This trail provides safe passage to the popular Falling Waters Trail. Teft Road Connector Trail has been added to the State directory of trail systems and is also included in the Jackson County Non-Motorized Plan. Funding was partially underwritten by the DNR.

Building construction activity remains strong in the township. Permit activity for home remodeling, additions and repairs continue to dominate. New home construction has increased over the last several years. Housing sales, which have been strong due to low interest rates, are likely to be impacted by recent interest rate hikes. Commercial buildings remain at very high occupancy rates and the need exists for more commercial space in the township. Several new commercial projects began including Taco Bell, Self-Storage Units, Western School's new elementary building and Spring Arbor University. Our township hall underwent renovation and expansion during the year. Increased space for conference rooms, IT, boardroom, individual office spaces and security improvements was undertaken. Commercial interest remains strong in the Township.

Our township continues to operate both Police and Fire Departments. Fire medical runs continue to increase due to aging populations and shortened hospital stays. Police services under the direction of a new Chief in 2023 have embraced technology for reporting, cameras and tools. Recruiting and training remain a priority for both departments.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show our accountability for the money received. If you have questions about this report, or would like additional information, we welcome you to contact the Township at 107 E. Main Street, Spring Arbor, Michigan 49283.

SPRING ARBOR TOWNSHIP
BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED MARCH 31, 2025

SPRING ARBOR TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET POSITION
MARCH 31, 2025

	Governmental Activities	Business Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 3,638,620	\$ 238,048	\$ 3,876,668
Investments	2,993,543	562,214	3,555,757
Accounts receivables:			
Users	2,864	392,588	395,452
Other	35,523	152,578	188,101
Due from other governments	157,031	20,221	177,252
Noncurrent assets:			
Capital assets - net	5,300,295	1,493,856	6,794,151
Total assets	12,127,876	2,859,505	14,987,381
Liabilities:			
Current liabilities:			
Accounts payable	221,952	9,380	231,332
Accrued interest	61,774	48	61,822
Accrued payroll	10,558	-	10,558
Bonds, notes, and loans payable - current	545,000	-	545,000
Noncurrent Liabilities:			
Bonds, notes, and loans payable - long term	4,235,000	-	4,235,000
Compensated absences	24,831	-	24,831
Total liabilities	5,099,115	9,428	5,108,543
Deferred inflows related to bond premium	251,318	-	251,318
Net Position:			
Invested in capital assets - net of related debt	5,300,295	1,493,856	6,794,151
Restricted for:			
Public Works - Roads	693,027	-	693,027
Public Works - Street Lights	20,314	-	20,314
Public Safety - Fire/Police	1,419,800	-	1,419,800
Debt Service - Roads	1,319,068	-	1,319,068
Recreation and Cultural	708	-	708
Unrestricted	(1,975,769)	1,356,221	(619,548)
Total net position	\$ 6,777,443	\$ 2,850,077	\$ 9,627,520

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

SPRING ARBOR TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
THE YEAR ENDED MARCH 31, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Legislative	\$ 46,350	\$ -	\$ -	\$ -	\$ (46,350)	\$ -	\$ (46,350)
General government	543,313	124,610	14,175	436,019	31,491	-	31,491
Public safety	961,557	150,272	619,706	-	(191,579)	-	(191,579)
Public works	69,254	-	46,770	-	(22,484)	-	(22,484)
Recreation and cultural	37,822	740	-	-	(37,082)	-	(37,082)
Debt service	118,673	-	877,789	-	759,116	-	759,116
Depreciation	267,727	-	-	-	(267,727)	-	(267,727)
Total governmental activities	2,044,696	275,622	1,558,440	436,019	225,385	-	225,385
Business-type activities							
Sewer	729,361	1,140,374	-	-	-	411,013	411,013
Water	289,617	298,470	-	-	-	8,853	8,853
Total business-type activities	1,018,978	1,438,844	-	-	-	419,866	419,866
Total government	3,063,674	1,714,466	1,558,440	436,019	225,385	419,866	645,251
General revenues:							
Property taxes					341,096	-	341,096
State-shared revenues					965,495	-	965,495
Interest income					191,855	28,907	220,762
Franchise fees					85,799	-	85,799
Right of way fees					11,308	-	11,308
Other income					7,423	-	7,423
Total general revenues and transfers					1,602,976	28,907	1,631,883
Income before special items					1,828,361	448,773	2,277,134
Special Item - Transfer of Operations - Summit Township					-	(2,254,023)	(2,254,023)
Change in net position					1,828,361	(1,805,250)	23,111
Net position - Beginning					4,949,082	4,655,327	9,604,409
Net position - Ending					\$ 6,777,443	\$ 2,850,077	\$ 9,627,520

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

SPRING ARBOR TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2025

	General	Fire Millage	Debt Service	Nonmajor Governmental Funds	Total
Assets:					
Cash and cash equivalents	\$ 1,979,186	\$ 693,099	\$ 959,293	\$ 7,042	\$ 3,638,620
Investments	2,531,368	267,931	194,244	-	2,993,543
Receivables	2,864	-	-	-	2,864
Due from other funds	27,374	460,237	227,305	22,596	737,512
Due from other governments	157,031	-	-	-	157,031
Total assets	<u>\$ 4,697,823</u>	<u>\$ 1,421,267</u>	<u>\$ 1,380,842</u>	<u>\$ 29,638</u>	<u>\$ 7,529,570</u>
Liabilities:					
Accounts payable	\$ 219,114	\$ 2,838	\$ -	\$ -	\$ 221,952
Accrued interest	-	-	61,774	-	61,774
Accrued payroll	7,488	3,070	-	-	10,558
Due to other funds	693,373	-	-	8,616	701,989
Total liabilities	<u>919,975</u>	<u>5,908</u>	<u>61,774</u>	<u>8,616</u>	<u>996,273</u>
Fund Balances					
Restricted for:					
Public Works - Roads	693,027	-	-	-	693,027
Public Works - Street Lights	-	-	-	20,314	20,314
Public Safety - Fire/Police	4,441	1,415,359	-	-	1,419,800
Debt Service - Roads	-	-	1,319,068	-	1,319,068
Recreation and Cultural - Historical Committee	-	-	-	708	708
Unassigned	3,080,380	-	-	-	3,080,380
Total Fund Balance	<u>3,777,848</u>	<u>1,415,359</u>	<u>1,319,068</u>	<u>21,022</u>	<u>6,533,297</u>
Total liabilities and fund balances	<u>\$ 4,697,823</u>	<u>\$ 1,421,267</u>	<u>\$ 1,380,842</u>	<u>\$ 29,638</u>	<u>\$ 7,529,570</u>

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

SPRING ARBOR TOWNSHIP

Reconciliation of Governmental Funds to Net Position of Governmental Activities

March 31, 2025

Total fund balance - total governmental funds	\$ 6,533,297
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 governmental funds balance sheet. For purposes of this reconciliation capital assets are netted with accumulated depreciation.	5,300,295
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(4,780,000)
Premiums received on the sale of bonds are amortized over the life of the bonds, net of amortization	(251,318)
Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	(24,831)
Net position of governmental activities	<u><u>\$ 6,777,443</u></u>

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

SPRING ARBOR TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2025

	General	Fire Millage	Debt Service	Nonmajor Governmental Funds	Total
Revenues:					
Property taxes	\$ 341,096	\$ 531,233	\$ 877,789	\$ 46,770	\$ 1,796,888
State shared revenues	965,495	-	-	-	965,495
Federal grants	436,019	-	-	-	436,019
Licenses and fees	173,151	-	-	-	173,151
Contributions	14,175	88,473	-	-	102,648
Interest	131,666	29,384	30,660	145	191,855
Other revenue	130,978	75,284	-	740	207,002
Total revenues	2,192,580	724,374	908,449	47,655	3,873,058
Expenditures:					
Legislative	46,350	-	-	-	46,350
General government	2,163,689	-	-	-	2,163,689
Public safety	545,072	623,728	-	-	1,168,800
Public works	6,312	-	-	62,942	69,254
Recreation and cultural	37,822	-	-	-	37,822
Debt Service	-	-	680,088	-	680,088
Total expenditures	2,799,245	623,728	680,088	62,942	4,166,003
Revenues over (under) expenditures	(606,665)	100,646	228,361	(15,287)	(292,945)
Other financing sources (uses)					
Operating transfers in (out)	(200,000)	200,000	-	-	-
Total other financing sources (uses)	(200,000)	200,000	-	-	-
Net change in fund balance	(806,665)	300,646	228,361	(15,287)	(292,945)
Fund balance - Beginning of year	4,584,513	1,114,713	1,090,707	36,309	6,826,242
Fund balance - End of year	<u>\$ 3,777,848</u>	<u>\$ 1,415,359</u>	<u>\$ 1,319,068</u>	<u>\$ 21,022</u>	<u>\$ 6,533,297</u>

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

SPRING ARBOR TOWNSHIP

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the
Statement of Activities.
Year ended March 31, 2025

Net change in fund balances - Total governmental funds	\$ (292,945)
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	1,812,787
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(267,727)
Debt principle payments are expended in the governmental funds, but reduce amounts owed in the government-wide financial statements.	530,000
Bond premiums associated with the sale of bonds are amortized over the life of the debt payments in the government-wide statement of activities.	31,415
Earned leave expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	<u>14,831</u>
Change in net position of governmental activities	<u><u>\$ 1,828,361</u></u>

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

SPRING ARBOR TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2025

	Sewer Fund	Water Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 238,048	\$ -	\$ 238,048
Investments	562,214	-	562,214
Receivables - User fees	392,588	-	392,588
Due from other funds	152,578	-	152,578
Due from other governments	20,221	-	20,221
Total current assets	<u>1,365,649</u>	<u>-</u>	<u>1,365,649</u>
Noncurrent assets:			
Capital assets, net	1,493,856	-	1,493,856
Total noncurrent assets	<u>1,493,856</u>	<u>-</u>	<u>1,493,856</u>
 Total assets	 <u>2,859,505</u>	 <u>-</u>	 <u>2,859,505</u>
Liabilities			
Current liabilities:			
Accounts payable	9,380	-	9,380
Accrued payroll	48	-	48
Total current liabilities	<u>9,428</u>	<u>-</u>	<u>9,428</u>
Net position			
Invested in capital assets, net of related debt	1,493,856	-	1,493,856
Unrestricted	1,356,221	-	1,356,221
Total net position	<u>\$ 2,850,077</u>	<u>\$ -</u>	<u>\$ 2,850,077</u>

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

SPRING ARBOR TOWNSHIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2025

	Sewer Fund	Water Fund	Total
Operating revenues:			
Usage charges	\$ 941,936	\$ 255,425	\$ 1,197,361
Connection fees	2,400	38,901	41,301
Penalties	11,774	4,144	15,918
Reimbursements	184,264	-	184,264
Total operating revenues	<u>1,140,374</u>	<u>298,470</u>	<u>1,438,844</u>
Operating expenses:			
Salaries and wages	5,689	2,047	7,736
Payroll taxes	163	38	201
Pension	512	176	688
Office expenses	1,805	1,069	2,874
Professional services	34,227	14,773	49,000
Maintenance	197,259	86	197,345
Treatment charges	286,081	-	286,081
Water usage	-	158,436	158,436
Insurance	13,341	1,997	15,338
Utilities	103,038	698	103,736
Depreciation	86,334	94,274	180,608
Other	912	360	1,272
Total operating expenses	<u>729,361</u>	<u>273,954</u>	<u>1,003,315</u>
Operating profit (loss)	411,013	24,516	435,529
Non operating revenues (expenses):			
Interest income	15,210	13,697	28,907
Interest expense	-	(15,663)	(15,663)
Operating transfers in (out)	679,743	(679,743)	-
Total operating expenses	<u>694,953</u>	<u>(681,709)</u>	<u>13,244</u>
Income before special items	1,105,966	(657,193)	448,773
Special Item - Transfer of operations - Summit Township, Michigan	<u>-</u>	<u>(2,254,023)</u>	<u>(2,254,023)</u>
Change in net position	1,105,966	(2,911,216)	(1,805,250)
Total net position - Beginning of year	<u>1,744,111</u>	<u>2,911,216</u>	<u>4,655,327</u>
Total net position - End of year	<u>\$ 2,850,077</u>	<u>\$ -</u>	<u>\$ 2,850,077</u>

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

SPRING ARBOR TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2025

	Sewer Fund	Water Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 984,133	\$ 431,794	\$ 1,415,927
Payments to suppliers	(670,700)	(194,481)	(865,181)
Payments to employees	(6,418)	(2,302)	(8,720)
Payments to/from other governments	(20,221)	-	(20,221)
Payments (internal activity) to other funds	(152,578)	(8,352)	(160,930)
Net cash provided (used) by operating activities	<u>134,216</u>	<u>226,659</u>	<u>360,875</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	(261,945)	-	(261,945)
Principal and interest payments	-	(60,663)	(60,663)
Collections of special assessments	-	14,576	14,576
Net cash provided (used) by capital and related financing activities	<u>(261,945)</u>	<u>(46,087)</u>	<u>(308,032)</u>
Cash flows from investing activities			
Interest income	15,210	13,697	28,907
Transfers to/from other funds	679,743	(679,743)	-
Net cash provided (used) by investing activities	<u>694,953</u>	<u>(666,046)</u>	<u>28,907</u>
Net increase (decrease) in cash and cash equivalents	567,224	(485,474)	81,750
Balances - Beginning of year	<u>233,038</u>	<u>485,474</u>	<u>718,512</u>
Balances - End of year	<u>\$ 800,262</u>	<u>\$ -</u>	<u>\$ 800,262</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating profit (loss)	\$ 411,013	\$ 24,516	\$ 435,529
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation expense	86,334	94,274	180,608
Change in assets and liabilities			
Receivables	(156,241)	133,324	(22,917)
Accounts payable	(34,037)	(17,062)	(51,099)
Accrued payroll	(54)	(41)	(95)
Due from other funds	(152,578)	(8,352)	(160,930)
Due from other governments	(20,221)	-	(20,221)
Net cash provided by operating activities	<u>\$ 134,216</u>	<u>\$ 226,659</u>	<u>\$ 360,875</u>

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

SPRING ARBOR TOWNSHIP
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
MARCH 31, 2025

Assets	
Cash and cash equivalents	<u>\$ 198,820</u>
Liabilities	
Due to other funds	\$ 188,101
Due to others	<u>10,719</u>
	<u>\$ 198,820</u>

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

SPRING ARBOR TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED MARCH 31, 2025

Additions:

Property tax collections	\$ 9,072,494
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Deductions:

Property taxes distributed to other governments	9,072,494
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Net changes in fiduciary net position	-
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Net position - Beginning	-
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Net position - Ending	\$ -
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The accompanying notes are an integral part of the financial statements.

SPRING ARBOR TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

SPRING ARBOR TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

The accounting policies of Spring Arbor Township, Michigan (the “Township”) conform to generally accepted accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant policies used by Spring Arbor Township, Michigan.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF TOWNSHIP OPERATIONS:

Spring Arbor Township (the “Township”) is a municipal corporation governed by an elected supervisor and a six-member board. The Township has adopted the position of the Governmental Accounting Standards Board (GASB) regarding the definition of reporting entity and has determined that no entities should be consolidated into the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

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 Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as a separate column in the fund financial statements.

SPRING ARBOR TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

Property taxes, franchise fees, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government received cash.

The Township reports the following major governmental funds:

- The General Fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Fire Millage Special Revenue Fund accounts for the collection of property taxes and expenditures related to the extra voted fire millage.
- The Debt Service Fund accounts for interest and principal payments on the bonds issued for road improvements.

The Township reports the following major proprietary funds:

- The Sewer and Water Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges. The measurement of financial activity focuses on net income measurement similar to the private sector. The Water Fund completed all operations as of January 1, 2025 by transferring those operations to Summit Township.

SPRING ARBOR TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Additionally, the Township reports the following fund types:

- Special Revenue Funds – used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.
- Custodial Funds – account for assets held for other governments and individuals in a trustee capacity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

DEPOSITS AND INVESTMENTS

The Township reports cash on hand, demand deposit bank accounts and short-term investments with an original maturity of three months or less from the date of acquisition, as cash and cash equivalents.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S Treasury, certain commercial paper, repurchase agreements, banker's acceptance, and mutual funds composed of otherwise legal investments.

SPRING ARBOR TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

RECEIVABLES AND PAYABLES

In general, outstanding balances between funds are reported as “due to/from other funds”. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as “advances to/from other funds”. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

The Township has not established a reserve for uncollectible accounts based on its past experience.

The Township records various receivables which are listed and described as follows:

- Accounts - The accounts receivable in the general, special revenue, and enterprise funds are charges for services, which have been billed but not yet received.
- Special Assessment - The Township records the assessments levied for the water system for which payment will be made with an assessment on the property over a period of years.

CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by Township policy as assets with an individual cost or value of \$5,000 or more when acquired and a useful life in excess of one year. Purchased assets are recorded at their actual costs. Donated capital assets are reported at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

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

Assets	Years
Building	25-50
Sewer and Water Systems	30-50
Machinery and Equipment	3-30
Vehicles	5-15

Depreciation is allocated to the appropriate function in the government-wide financial statements. Assets such as the municipal building, which is a multi-function facility, are allocated to the general government function.

SPRING ARBOR TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

COMPENSATED ABSENCES

The Township policy is to permit employees to accumulate various earned but unused and sick pay benefits. Sick time is not paid out upon resignation or termination; however, accumulated vacation time is. These vacation benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation or retirements.

Annually, the Township grants one week of paid vacation after six months of employment, two weeks after one year, three weeks after five years, and four weeks after ten years. Employees are entitled to sick pay based on current State of Michigan legislation.

UNEARNED REVENUES

Unearned revenue represents amounts received through nonexchange transactions prior to all applicable eligibility criteria being met or amounts being received through exchange transactions prior to goods or services being provided. The Township has one item, unearned revenue related to funds received from the American Rescue Plan Act (ARPA), which qualifies for reporting in this category.

LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other obligations are reported as liabilities in the appropriate governmental activities, business-type activities, or proprietary fund type statement of net position.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have any deferred outflows at March 31, 2025.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflow of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Township shows deferred inflows that relate to a bond premium at March 31, 2025.

FUND EQUITY

In the fund financial statements, fund balance is presented in five possible categories, each of which identifies the extent to which the Township is bound to honor constraints on the specific purpose for which amounts can be spent:

SPRING ARBOR TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

FUND EQUITY (Continued)

- Nonspendable – amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted – amounts that have constraints placed on their use by an external party or constitutional provisions or enabling legislation (grants, contributions, specific fee mandates).
- Committed – amounts that are committed for specific purposes by the Township Board, as the Township’s highest level of decision-making authority, pursuant to constraints imposed by formal actions taken, such as majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Township Board removes or changes the specific use through the same type of formal action taken to establish the commitment.
- Assigned – amounts that are constrained by the Township’s intent to be used for specific purposes, but are neither restricted or committed. The Township Board has the authority to assign amounts to be used for specific purposes.
- Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances may also include negative balances in the governmental funds reporting resources restricted for specific programs.

NET POSITION/FUND BALANCE FLOW ASSUMPTION

The Township will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township’s policy to consider restricted net position/fund balance to have been depleted before unrestricted net position/fund balance is applied.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SPRING ARBOR TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - BUDGETARY INFORMATION:

Annual budgets are adopted for all governmental fund types each fiscal year on a basis consistent with generally accepted accounting principles. The government’s final budget is prepared and adopted prior to April 1st of each year.

Reported budgeted amounts are as originally adopted or as amended by the Township Board. The legal level of budgetary control is the activity level. The government does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations – Expenditures in excess of amounts budgeted are a violation of Michigan law. For the year ended March 31, 2025, expenditures that exceeded appropriations in the General Fund or the major Special Revenue Fund, if any, are disclosed in the Required Supplementary Information as listed in the table of contents.

NOTE 3 - DEPOSITS AND INVESTMENTS:

A reconciliation of cash and investments as shown on the statement of net position and statement of net position – Fiduciary Funds to deposits and investments as classified for note disclosure purposes is as follows:

Cash and cash equivalents:	
Cash on hand	\$ 485
Insured (FDIC)	2,725,378
Uninsured	1,349,625
	<u>\$ 4,075,488</u>
Investments:	
Insured (FDIC)	\$ 550,248
Uninsured	3,005,509
	<u>\$ 3,555,757</u>

At March 31, the Townships investments consisted of the following:

Investment	Fair Value	Rating
Certificates of deposit	\$ 3,555,757	N/A

The fair value measurements of the investments noted above have been classified by the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the investments. The levels of the fair value hierarchy are as follows:

- Level 1 inputs – Quoted price for identical assets in an active market.
- Level 2 inputs – Quoted prices for similar other observable inputs.
- Level 3 inputs – Unobservable inputs for an asset.

Investments by fair value level:

Investment	Total	Level 1	Level 2	Level 3
Certificates of Deposit	\$ 3,555,757	\$ 3,555,757	\$ -	\$ -

SPRING ARBOR TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS: (Continued)

The Township's cash, cash equivalents, and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the Township. The Township does not have a deposit policy for custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township limits exposure risk to interest rate risk by having investments at short-term maturities.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Township's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

NOTE 4 – CAPITAL ASSETS:

Capital asset activity for the year is summarized below:

Asset Category	Balance 3/31/24	Additions	Disposals	Balance 3/31/25
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 439,845	\$ -	\$ -	\$ 439,845
Capital assets being depreciated:				
Land improvements	810,865	-	-	810,865
Building and improvements	1,825,189	1,635,667	-	3,460,856
Furniture and equipment	1,714,300	75,211	-	1,789,511
Vehicle	2,470,396	101,909	-	2,572,305
Total capital assets being depreciated	6,820,750	1,812,787	-	8,633,537
Less - Accumulated Depreciation:				
Land improvements	(220,850)	(23,368)	-	(244,218)
Building and improvements	(1,154,523)	(44,483)	-	(1,199,006)
Furniture and equipment	(833,240)	(72,861)	-	(906,101)
Vehicle	(1,296,747)	(127,015)	-	(1,423,762)
Total accumulated depreciation	(3,505,360)	(267,727)	-	(3,773,087)
Total capital assets being depreciated, net	\$ 3,755,235	\$ 1,545,060	\$ -	\$ 5,300,295

SPRING ARBOR TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS: (Continued)

Capital asset activity for the year is summarized below:

Asset Category	Balance 3/31/2024	Additions	Disposals	Balance 3/31/2025
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 39,098	\$ -	\$ -	\$ 39,098
Capital assets being depreciated:				
Sewer plant	7,817,411	261,944	-	8,079,355
Water plant	5,652,858	-	(5,652,858)	-
Total capital assets being depreciated	13,470,269	261,944	(5,652,858)	8,079,355
Less - Accumulated depreciation:				
Sewer plant	(6,538,263)	(86,334)	-	(6,624,597)
Water plant	(2,305,328)	(94,274)	2,399,602	-
Total accumulated depreciation	(8,843,591)	(180,608)	2,399,602	(6,624,597)
Total capital assets being depreciated	<u>\$ 4,665,776</u>	<u>\$ 81,336</u>	<u>\$ (3,253,256)</u>	<u>\$ 1,493,856</u>

NOTE 5 – PAYABLES

Payables (governmental and business-type activities) are 100 percent vendors.

SPRING ARBOR TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2025 are as follows:

	Due From		Due To
General	\$ 27,374 - - <u>27,374</u>	Street Light Current Tax Trust & Agency	\$ 1,718 25,515 141 <u>27,374</u>
Fire	460,237 - <u>460,237</u>	General Current Tax	412,093 48,144 <u>460,237</u>
Debt Service	227,305 - <u>227,305</u>	General Current Tax	148,444 78,861 <u>227,305</u>
Street Lights	<u>22,596</u>	Current Tax	<u>22,596</u>
Sewer	152,578 - - <u>152,578</u>	General Street Lights Current Tax	126,447 13,288 12,843 <u>152,578</u>
Total	<u>\$ 890,090</u>		<u>\$ 890,090</u>

NOTE 7 - SPECIAL ASSESSMENTS RECEIVABLE:

The special assessment receivable for the Water Fund was paid off for the year ended March 31, 2025.

NOTE 8 - PROPERTY TAXES:

Real and personal property taxes are levied on December 1st of each year, and are due to the Township by the last day of the following February. The Township is responsible for assessing, collecting and distributing property taxes in accordance with State law. Delinquent real property taxes are paid to the Township by Jackson County. Therefore, the General Fund reflects as revenues the full amount of real taxes levied during the year. The personal property taxes are reflected as revenues in the year collected, which does not materially differ from the full accrual method of revenue recognition.

The Township's General, Fire and Road Debt tax rates for the year ended March 31, 2025 were 6.0546 mills, 0.8377 mills for general operations, 1.9669 mills for fire and 3.25 mills for road debt, respectively, levied on property with a Taxable Value of \$273,324,247.

SPRING ARBOR TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT:

The Township issued bonds to finance road improvements. These bonds are general obligation unlimited tax bonds, and pledge the full faith and credit of the Township.

The following is a summary of the Township's long-term debt transactions for the year ended March 31, 2025:

	Balance 3/31/2024	Debt Issues	Repayments	Balance 3/31/2025
Governmental Activities:				
Unlimited Tax General Obligation Bonds - Road Improvements - \$8,210,000 issued October 3, 2018, annual principle payments from \$475,000 to \$655,000. Interest rates varying from 3% to 3.5% annually.				
	\$ 5,310,000	\$ -	\$ (530,000)	\$ 4,780,000

	Balance 3/31/2024	Debt Issues	Transferred	Balance 3/31/2025
Business Type Activities:				
Water Supply System Junior Lien Revenue Bonds, Series 2020 - Act 94 - DWSRF, issued August 28, 2020, annual principle payments from \$55,000 to \$85,000. Interest rate at 2% annually.				
	\$ 1,044,231	\$ -	\$ (1,044,231)	\$ -

Presented below is a summary of debt service requirements to maturity by years:

Year Ending March 31	Governmental Activities	
	Principle	Interest
2026	545,000	140,088
2027	560,000	123,513
2028	575,000	106,488
2029	590,000	89,012
Thereafter	2,510,000	168,582
Total	\$ 4,780,000	\$ 627,683

SPRING ARBOR TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – DEFINED CONTRIBUTION PENSION PLAN:

The Spring Arbor Township Pension Plan provides pension benefits for all Township officials and all other employees who work at least 20 hours per week on a regular basis, and who choose to belong to the Plan. This benefit is administered by a pension committee under the provisions of Section 401 (a) of the Internal Revenue Code. Plan provisions and contribution requirements are established and may be amended by the Township Board. The plan is held and administered by an insurance company.

In a defined contribution pension plan, each participant has an individual account and specified contributions are made to those accounts as opposed to specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's accounts and the returns on the investments of those contributions.

As amended effective April 1, 1986, the Township may, but is not required to, make a "discretionary contribution" for a plan year to the accounts of all eligible participants. The amount of the contribution is based upon participant compensation for the plan year.

Contributions to the Plan by the Township were \$48,368, which is 9% of covered payroll. The employees are not required to contribute to the Plan.

NOTE 11 – 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, 2025, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded commercial insurance coverage amounts in any of the past three fiscal years.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 18, 2025, the date on which the financial statements were available to be issued.

NOTE 13 - SPECIAL ITEM: TRANSFER OF WATER SYSTEM OPERATIONS

Effective January 1, 2025, Spring Arbor Township transferred the operations of the municipal water system to Summit Township. Under the intergovernmental agreement, the entirety of the Spring Arbor Township water system was consolidated into the Summit Township municipal water system.

As part of this transfer, the Spring Arbor Township Water Fund transferred the following:

- Capital assets in the amount of \$5,652,859,
- Accumulated depreciation of \$2,399,605, and
- Transferred debt of \$999,231 related to the water system infrastructure.

This transaction resulted in a net special item of \$2,254,023, which is reported in the financial statements as a special item. This classification is appropriate due to the unusual and nonrecurring nature of the intergovernmental transfer.

No other assets or liabilities were transferred as part of this transaction.

SPRING ARBOR TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED MARCH 31, 2025

SPRING ARBOR TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2025

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes:				
Current property taxes	\$ 214,000	\$ 214,000	\$ 226,242	\$ 12,242
Interest and penalties	250	250	4,185	3,935
Administrative fees	120,000	120,000	110,669	(9,331)
Total	<u>334,250</u>	<u>334,250</u>	<u>341,096</u>	<u>6,846</u>
State shared revenues:				
Sales tax	974,959	974,959	956,026	(18,933)
Local community stabilization funds	-	-	7,603	7,603
Liquor licenses	2,000	2,000	1,866	(134)
Total	<u>976,959</u>	<u>976,959</u>	<u>965,495</u>	<u>(11,464)</u>
Federal grants - ARPA	-	-	436,019	436,019
Licenses and fees:				
Building and related permits	59,004	59,004	74,988	15,984
Franchise fees	90,000	90,000	85,799	(4,201)
Right of way fees	9,000	9,000	11,308	2,308
Trailer park fees	700	700	1,056	356
Total	<u>158,704</u>	<u>158,704</u>	<u>173,151</u>	<u>14,447</u>
Contributions	<u>300</u>	<u>300</u>	<u>14,175</u>	<u>13,875</u>
Other revenue:				
Service fees	7,700	7,700	18,066	10,366
Land division fees	1,000	1,000	675	(325)
Cemetery foundations	3,500	3,500	9,734	6,234
Grave openings	14,000	14,000	23,675	9,675
Cemetery lot sales	9,000	9,000	11,690	2,690
Fines and forfeitures	4,440	4,440	4,812	372
Property rental	12,000	12,000	14,180	2,180
Police contributions/reimbursements	1,900	1,900	4,483	2,583
Reimbursements	27,000	27,000	36,239	9,239
Interest	93,700	93,700	131,666	37,966
Other	8,280	8,280	7,424	(856)
Total	<u>182,520</u>	<u>182,520</u>	<u>262,644</u>	<u>80,124</u>
Total Revenue	<u>1,652,733</u>	<u>1,652,733</u>	<u>2,192,580</u>	<u>539,847</u>

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

SPRING ARBOR TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2025

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:				
Legislative	\$ 32,720	\$ 46,350	\$ 46,350	\$ -
General government:				
Township Supervisor	63,116	63,116	57,428	5,688
Township Clerk	98,892	113,671	113,604	67
General Office	23,382	23,382	20,804	2,578
Board of Review	4,860	4,860	632	4,228
Treasurer	87,832	87,832	84,505	3,327
Assessor	81,889	87,895	87,881	14
Elections	100,000	100,000	33,511	66,489
Township Hall	26,737	18,591	20,686	(2,095)
Post Office	2,500	2,500	450	2,050
Library Building	3,430	4,089	4,089	-
Township Property	66,650	86,914	84,877	2,037
Cemetery	75,358	75,358	49,678	25,680
Capital Outlay - Township Hall	-	1,399,594	1,605,544	(205,950)
Total general government	<u>634,646</u>	<u>2,067,802</u>	<u>2,163,689</u>	<u>(95,887)</u>
Public safety:				
Police	318,876	338,000	337,652	348
Building Department	89,875	95,845	67,170	28,675
Planning Commission	44,628	52,312	52,255	57
Zoning Board of Appeals	1,080	1,080	-	1,080
Capital Outlay - Police	45,000	86,167	87,995	(1,828)
Total public safety	<u>499,459</u>	<u>573,404</u>	<u>545,072</u>	<u>28,332</u>
Public works - Streets and roads	-	6,312	6,312	-
Recreation and cultural:				
Parks	133,593	133,593	37,442	96,151
Historical Committee	-	380	380	-
Total recreational and cultural	<u>133,593</u>	<u>133,973</u>	<u>37,822</u>	<u>96,151</u>
Total Expenditures	<u>1,300,418</u>	<u>2,827,841</u>	<u>2,799,245</u>	<u>28,596</u>
Excess (deficiency) of revenues over (under) expenditures	352,315	(1,175,108)	(606,665)	568,443
Other financing sources (uses)				
Transfers in (out)	(200,000)	(200,000)	(200,000)	-

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

SPRING ARBOR TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2025

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Net change in fund balance	152,315	(1,375,108)	(806,665)	568,443
Fund Balance - Beginning of year	4,584,513	4,584,513	4,584,513	-
Fund Balance - End of year	<u>\$ 4,736,828</u>	<u>\$ 3,209,405</u>	<u>\$ 3,777,848</u>	<u>\$ 568,443</u>

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

SPRING ARBOR TOWNSHIP
 BUDGETARY COMPARISON SCHEDULE
 FIRE MILLAGE SPECIAL REVENUE FUND
 YEAR ENDED MARCH 31, 2025

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 502,044	\$ 502,044	\$ 531,233	\$ 29,189
Interest	8,000	8,000	29,384	21,384
Contributions	-	-	88,473	88,473
Reimbursements	66,000	66,000	70,784	4,784
Other	-	-	4,500	4,500
Total revenues	<u>576,044</u>	<u>576,044</u>	<u>724,374</u>	<u>148,330</u>
Expenditures:				
Public Safety	543,342	564,428	504,480	59,948
Capital Outlay	182,000	161,000	119,248	41,752
Total expenditures	<u>725,342</u>	<u>725,428</u>	<u>623,728</u>	<u>101,700</u>
Excess (deficiency) of revenues over (under) expenditures	(149,298)	(149,384)	100,646	250,030
Other financing sources (uses)				
Transfers in	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	-
Total other financing sources (uses)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	-
Net change in fund balance	50,702	50,616	300,646	250,030
Fund Balance - Beginning of year	<u>1,114,713</u>	<u>1,114,713</u>	<u>1,114,713</u>	-
Fund Balance - End of year	<u>\$ 1,165,415</u>	<u>\$ 1,165,329</u>	<u>\$ 1,415,359</u>	<u>\$ 250,030</u>

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

SPRING ARBOR TOWNSHIP
SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED MARCH 31, 2025

SPRING ARBOR TOWNSHIP
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
MARCH 31, 2025

	Street Lights	Historical Committee	Total
Assets			
Cash and cash equivalents	\$ 6,334	\$ 708	\$ 7,042
Special assessment receivable	22,596	-	22,596
	<u>\$ 28,930</u>	<u>\$ 708</u>	<u>\$ 29,638</u>
Liabilities			
Due to other funds	\$ 8,616	\$ -	\$ 8,616
Fund balance			
Fund balance restricted for:			
Public Works - Street lights	20,314	-	20,314
Recreation and cultural - Historical Committee	-	708	708
	<u>20,314</u>	<u>708</u>	<u>21,022</u>
Total liabilities and fund balance	<u>\$ 28,930</u>	<u>\$ 708</u>	<u>\$ 29,638</u>

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

SPRING ARBOR TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENT FUNDS
MARCH 31, 2025

	Street Lights	Historical Committee	Total
Revenues:			
Property taxes	\$ 46,770	\$ -	\$ 46,770
Interest	145	-	145
Other	700	40	740
Total revenues	<u>47,615</u>	<u>40</u>	<u>47,655</u>
Expenditures:			
Public works and utilities	62,808	-	62,808
Professional fees	134	-	134
Total expenditures	<u>62,942</u>	<u>-</u>	<u>62,942</u>
Net change in fund balance	(15,327)	40	(15,287)
Fund balance - Beginning of year	<u>35,641</u>	<u>668</u>	<u>36,309</u>
Fund balance - End of year	<u>\$ 20,314</u>	<u>\$ 708</u>	<u>\$ 21,022</u>

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

MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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Spring Arbor Township Board
Jackson County, Michigan

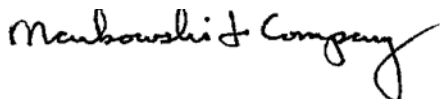
In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Spring Arbor Township as of and for the year ended March 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered Spring Arbor Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Spring Arbor Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Spring Arbor Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our identification of significant deficiencies that were identified during the audit are found in the Schedule of Findings and Responses attached.

This communication is intended solely for the information and use of management of Spring Arbor Township, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



Markowski & Company, CPAs
September 18, 2025

SPRING ARBOR TOWNSHIP
SCHEDULE OF FINDINGS AND RESPONSES
MARCH 31, 2025

Findings considered a significant deficiency

Criteria

Statement on Auditing Standards No. 115 titled *Communicating Internal Control Related Matters Identified in an Audit* requires us to communicate in writing, to management and those charged with governance, significant deficiencies and material weaknesses identified in an audit.

Condition 2025 – 1

The Township relies upon its external auditors to prepare year-end financial statements required by the State of Michigan.

Cause

The Township does not have a staff person with the level of expertise necessary to prepare the financial statements.

Effect

The Township's design of control over financial statements does not allow management to prevent or detect and correct misstatements on a timely basis.

Recommendation

Consider whether this is a risk that the Township is willing to accept.

Client Response

We are aware of this deficiency and believe it is not cost beneficial to develop this expertise. We will continue to use our external auditors for this technical assistance.

Condition 2025 – 2

Because of the limited size of the Township's accounting staff, proper segregation of duties cannot be accomplished.

Cause

The Township has a lack of staff allowing for separation of duties.

Effect

The Township has staff performing conflicting internal control duties (such as preparing cash disbursements and reconciling the bank).

Recommendation

Township's board needs to continue to exercise management oversight to help compensate for the lack of staff.

Client Response

We are aware of this deficiency; management and the board will continue to exercise oversight to reduce the risks associated with the lack of staff size.

SPRING ARBOR TOWNSHIP
SCHEDULE OF FINDINGS AND RESPONSES
MARCH 31, 2025

Findings considered a significant deficiency (Continued)

Condition 2025 – 3

The Township did not complete bank reconciliations in a timely manner.

Cause

The Township staff did not complete bank reconciliations timely.

Effect

The Township's inability to complete reconciliations timely resulted in missed electronic deposits resulting in misstatement of the financial statements.

Recommendation

Bank reconciliations must be completed timely.

Client Response

A new policy will be put in place, requiring reconciliations be completed monthly and timely going forward.

MARKOWSKI & COMPANY

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Township Board
Spring Arbor Township
Jackson County, Michigan

We have audited the financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spring Arbor Township for the year ended March 31, 2025 and have issued our report thereon dated September 18, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 26, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. The significant accounting policies used by Spring Arbor Township are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2025. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

The depreciable lives of the capital assets. We evaluated the lives of each of the assets to determine that they are being expensed over the proper period of time.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 18, 2025.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

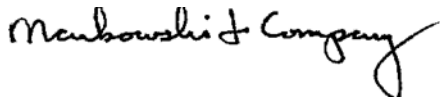
Other Matters

We applied certain limited procedures to the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual, that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RES and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Township Board and management of Spring Arbor Township and should not be used for any other purpose.

Very truly yours,



MARKOWSKI & COMPANY CPAs
September 18, 2025