



Year Ended
March 31, 2025

Financial
Statements

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TOWNSHIP OF SCIO, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

August 21, 2025

Board of Trustees
Township of Scio
Ann Arbor, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **Township of Scio, Michigan** (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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township, as of March 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparisons for the general fund and each major special revenue fund 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' 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 auditors' 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government 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 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 Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefit plans, as listed 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining fund 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 were derived from and relate 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 fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2025, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Robson LLC". The signature is written in a cursive, flowing style.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWNSHIP OF SCIO, MICHIGAN

Management's Discussion and Analysis

As management of the Township of Scio, Michigan (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

· Primary government total net position	\$ 94,674,588
· Change in primary government total net position	3,710,400
· Fund balances, governmental funds	18,443,218
· Change in fund balances, governmental funds	1,862,199
· Unassigned fund balance, general fund	7,406,968
· Change in fund balance, general fund	773,208
· Installment debt outstanding	2,695,122
· Change in installment debt	(345,268)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Township's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the remaining amount reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, and recreation and culture. The business-type activities of the Township are water and sewer operations.

The government-wide financial statements include not only the Township itself (known as the primary government), but also legally separate entities for which the Township is financially accountable. Financial information for the discretely presented component units is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental, proprietary, and fiduciary funds.

TOWNSHIP OF SCIO, MICHIGAN

Management's Discussion and Analysis

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the fire department special revenue fund, the parks and recreation special revenue fund, the open space land preservation special revenue fund, and the township road improvement special assessment capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. The combining statements referred to earlier in connection with nonmajor funds are presented immediately following the required supplementary information.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budgets for the general fund and major special revenue funds.

Proprietary Funds. The Township has only one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The Township uses enterprise funds to account for its water and sewer operations, which are considered to be major funds of the Township.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to the management's discussion and analysis and schedules concerning the Township's progress in funding its obligation to provide pension and other postemployment benefits to certain employees.

TOWNSHIP OF SCIO, MICHIGAN

Management's Discussion and Analysis

Government-wide Financial Analysis

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$94.7 million at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$ 21,539,375	\$ 20,134,211	\$ 25,400,237	\$ 23,614,092	\$ 46,939,612	\$ 43,748,303
Capital assets, net	22,640,722	22,741,084	32,762,003	32,985,040	55,402,725	55,726,124
Total assets	44,180,097	42,875,295	58,162,240	56,599,132	102,342,337	99,474,427
Deferred outflows of resources	735,214	800,842	117,753	153,699	852,967	954,541
Liabilities						
Other liabilities	1,854,339	2,276,421	1,344,616	1,748,644	3,198,955	4,025,065
Long-term liabilities	1,986,244	1,751,342	3,192,123	3,499,472	5,178,367	5,250,814
Total liabilities	3,840,583	4,027,763	4,536,739	5,248,116	8,377,322	9,275,879
Deferred inflows of resources	110,649	134,562	32,745	54,339	143,394	188,901
Net position						
Net investment in capital assets	22,640,722	22,741,084	30,066,881	29,944,650	52,707,603	52,685,734
Restricted	11,362,848	10,311,865	-	-	11,362,848	10,311,865
Unrestricted	6,960,509	6,460,863	23,643,628	21,505,726	30,604,137	27,966,589
Total net position	\$ 40,964,079	\$ 39,513,812	\$ 53,710,509	\$ 51,450,376	\$ 94,674,588	\$ 90,964,188

The largest portion of the Township's net position (\$52.7 million) reflects its investment in capital assets (e.g., land, land preservation, construction in progress, drain rights and infrastructure, sidewalks and other intangible rights, utility systems, buildings, machinery and equipment, vehicles, land improvements, and sewer meters) less any related debt used to acquire those assets that are still outstanding, if applicable. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position (\$11.4 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$30.6 million) may be used to meet the government's ongoing obligations.

TOWNSHIP OF SCIO, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues:						
Charges for services	\$ 1,230,835	\$ 1,291,199	\$ 8,022,335	\$ 7,172,440	\$ 9,253,170	\$ 8,463,639
Grants and contributions:						
Operating	2,962,692	3,482,175	431,257	456,011	3,393,949	3,938,186
Capital	101,129	674,957	1,670,303	2,217,804	1,771,432	2,892,761
General revenues:						
Property taxes	3,832,484	3,587,598	-	-	3,832,484	3,587,598
Unrestricted state shared revenue	2,005,525	2,017,526	-	-	2,005,525	2,017,526
Unrestricted investment income	494,012	593,665	1,080,880	1,059,928	1,574,892	1,653,593
Gain on sale of capital assets	189,467	-	-	-	189,467	-
Other	122,903	107,810	-	-	122,903	107,810
Total revenues	10,939,047	11,754,930	11,204,775	10,906,183	22,143,822	22,661,113
Expenses						
General government	3,666,272	3,594,624	-	-	3,666,272	3,594,624
Public safety	4,746,691	3,997,544	-	-	4,746,691	3,997,544
Public works	683,367	2,705,961	-	-	683,367	2,705,961
Recreation and culture	392,450	433,193	-	-	392,450	433,193
Water	-	-	4,446,438	3,984,783	4,446,438	3,984,783
Sewer	-	-	4,498,204	4,381,907	4,498,204	4,381,907
Total expenses	9,488,780	10,731,322	8,944,642	8,366,690	18,433,422	19,098,012
Change in net position	1,450,267	1,023,608	2,260,133	2,539,493	3,710,400	3,563,101
Net position - beginning	39,513,812	38,490,204	51,450,376	48,910,883	90,964,188	87,401,087
Net position - ending	\$ 40,964,079	\$ 39,513,812	\$ 53,710,509	\$ 51,450,376	\$ 94,674,588	\$ 90,964,188

Total revenues for governmental activities decreased by \$815,883, primarily due to the reduction in grants and contributions. Two reductions primarily drove this decrease: 1) the use of the remaining one time ARPA revenue for IT network and other improvements, and 2) use of one time MEDC revenue for Zeeb Road Pathway. Total expenses for governmental activities decreased by \$1,242,542 reflecting the corresponding reduction in expenses.

Total revenues for business-activities increased by \$298,592, reflecting both 1) a decrease in one time connection fees and capital contributions from developers as part of community benefits requirements, and 2) an increase in ongoing charges for services authorized by the Board of Trustees through a significant increase in water and sewer rates. The Board of Trustees has now increased rates two years in a row, and has stated its intention to review and adjust rates annually.

TOWNSHIP OF SCIO, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$18.4 million, an increase of \$1.9 million from the prior year. Approximately 39.1% of this total amount (or \$7.2 million) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending.

The general fund is the chief operating fund of the Township, and is used to account for most of the current activities of the Township. Activities of the general fund include governing body, supervisor, administrator, accounting/finance, clerk, technology, treasurer, assessing, elections, buildings and grounds, attorney, human resources, sheriff, traffic enforcement, drains, roads, recycling, watershed council, planning, zoning, code enforcement, historic district, and capital. A major planned capital improvement of the general fund is the replacement of the HVAC system at Township Hall. In March 2025, the Board of Trustees assigned \$603,200 of general fund fund balance for this purpose, should the budgeted revenue from the IRS through the Direct Pay Program not be received due to the current instability of federal programs.

The fire department special revenue fund is used to account for the current activities of the fire department, including fire prevention, fire suppression, emergency medical response; including all operating and capital costs. The revenue includes the fire special assessment revenue, as well as grant revenue, fire inspection fees, and community benefit contributions by developers. All costs of building Fire Station #2 will be specifically accounted for within this fund as well.

The parks and recreation special revenue fund is used to account for the current activities of the parks preserves and pathways, including the development and maintenance of Zeeb Road pathway and established Township parks and preserves. Revenue includes dedicated parks and pathways millage revenue, as well as grant revenue. All operating and capital costs are accounted for within this fund. The increase in fund balance is intended for planned capital expense of finishing the Zeeb Road Pathway.

The open space land preservation fund special revenue fund is used to account for the current activities of the Open Space Program, funded primarily by the dedicated Open Space millage. Other sources include federal and state grants, often in partnership with other conservation entities. All purchases of land or conservation easements, and operating costs are accounted for within this fund. The increase in fund balance is intended for planned acquisition of land for preservation.

The township road improvement special assessment capital projects fund as presented is a combination of all of the Township's capital funds dedicated to road improvements, predominately the neighborhood road special assessments as well as the Township wide special assessment fund balance that was refunded. Revenue is from the dedicated special assessment revenue for each neighborhood special assessment.

TOWNSHIP OF SCIO, MICHIGAN

Management's Discussion and Analysis

Proprietary Funds. The water and sewer funds consist of all activities of the Township's water and sewer district. The revenue is primarily from customer fees, and the expenses are primarily for the water purchased from the City of Ann Arbor, and the operating costs.

The water fund is a proprietary fund used to account for the operation of the Scio Township water system. Revenues are primarily from user charges and fees, with some contribution from developers as part of negotiated community benefits agreements. Revenues have increased as the Board has raised rates. Expenses have increased with increased maintenance and improvements to the system.

The sewer fund is a proprietary fund used to account for the operation of the Scio Township sewer system. Revenues are primarily from user charges and fees. Revenues have increased as the Board has raised rates. Expenses have increased with increased maintenance and improvements to the system.

General Fund Budgetary Highlights

There were no expenditures beyond what was finally budgeted in the general fund. The Township amended the budget throughout the fiscal year to ensure that appropriated amounts remained sufficient to allow for authorized expenditures. Significant expenditures included completion of the IT Network refresh project. The Township continues to improve its budget monitoring, and expects to reduce the variances between budgeted and actuals in the coming year.

Capital Asset and Debt Administration

Capital Assets. At the end of 2025, the Township had \$55.4 million invested in a broad range of net capital assets including land, land preservation, construction in progress, drain rights and infrastructure, sidewalks and other intangible rights, utility systems, buildings, machinery and equipment, vehicles, land improvements, and sewer meters.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 1,082,696	\$ 1,091,090	\$ 1,995,542	\$ 1,995,542	\$ 3,078,238	\$ 3,086,632
Land preservation	9,951,627	9,951,627	-	-	9,951,627	9,951,627
Construction in progress	528,767	254,648	24,826	153,336	553,593	407,984
Drain rights and infrastructure	215,955	215,955	-	-	215,955	215,955
Sidewalks and other intangible rights	4,795,411	5,037,865	-	-	4,795,411	5,037,865
Utility systems	-	-	28,419,082	29,039,135	28,419,082	29,039,135
Buildings	4,556,141	4,848,023	1,489,747	1,520,867	6,045,888	6,368,890
Machinery and equipment	486,786	393,779	81,217	62,318	568,003	456,097
Vehicles	682,027	755,185	197,017	108,953	879,044	864,138
Land improvements	341,312	192,912	-	-	341,312	192,912
Sewer meters	-	-	554,572	104,889	554,572	104,889
Total capital assets, net	\$ 22,640,722	\$ 22,741,084	\$ 32,762,003	\$ 32,985,040	\$ 55,402,725	\$ 55,726,124

TOWNSHIP OF SCIO, MICHIGAN

Management's Discussion and Analysis

Major capital asset purchases during the current fiscal year included:

- parcels at intersection of Wagner and Dexter-Ann Arbor Roads for future possible utility or transit infrastructure;
- a specially outfitted off road vehicle for fire and emergency medical services on natural trails and other off-road areas;
- improved landscaping of the Jackson Road Boulevard, addition of exterior bathroom to Township Hall, installation of signs for at Township parks and preserves, and installation of chain link fence around critical water and sewer infrastructure;
- new sewer (water) meters as part of the Township's meter replacement program.

Additional information on the Township's capital asset activity may be found in Note 7 of the notes to the financial statements.

Long-term Debt. At the end of the current year, the Township had total long-term debt (excluding compensated absences) outstanding of \$2,695,122.

	Installment Debt	
	Business-type Activities	
	2025	2024
Notes from direct borrowings and direct placements	<u>\$ 2,695,122</u>	<u>\$ 3,040,390</u>

Additional information on the Township's long-term debt activity can be found in Note 8 of the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

Scio Township is fortunate to have good property tax health, with \$94,305 taxable value per capita, which has been steadily increasing since 2017. The Township Treasurer is actively managing investments to maximize returns available to local governments. Despite shrinking state and federal funds available, the Township continues to proactively seek state and federal funding to leverage locally raised revenue. The Township Board now regularly reviews and updates the schedules of fees for Township services to ensure that the full costs of those services are covered by users.

Thanks to Board actions taken in 2022, the Township's OPEB liability is minimal and will decline over time to zero. In August 2025, the Township Board found that its Downtown Development Authority (DDA) had completed its purpose, and voted to dissolve the DDA and abolish the associated Tax Increment Financing plan. The Township will complete the outstanding bond payments for the DDA activities, and return the remaining balance to the taxing units. The Township continues to make bond payments for its own water and sewer improvements. In September 2025, the Board of Trustees will consider issuance and sale of its general obligation limited tax bonds to fund the development of Fire Station #2, in an amount not to exceed \$13,240,000.

The Township is investing in sustainable public buildings and infrastructure. Building upon the success of the 2023 installation of solar panels at Fire Station #1, the Township is planning to build a green Fire Station #2 in 2026. With geothermal and solar power, Fire Station #2 will be build for today and tomorrow, as the effects of climate change intensify, and the need for emergency services grows. At our Township Hall, the Board authorized the replacement of our obsolete HVAC system with a geothermal system that will power this public building for decades to come.

Most readers are familiar with fiscal planning that occurs on a calendar-year basis. However, when analyzing various funding cycles that apply to the statements in this report, one needs to consider the varying fiscal years of the State of Michigan (October 1 to September 30); Washtenaw County, Michigan (January 1 to December 31); and the Township of Scio (April 1 to March 31).

TOWNSHIP OF SCIO, MICHIGAN

Management's Discussion and Analysis

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 the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township's Board of Trustees via the clerk at clerk@sciotownship.org.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF SCIO, MICHIGAN

Statement of Net Position

March 31, 2025

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 18,239,468	\$ 23,519,884	\$ 41,759,352	\$ 5,497,664
Receivables	2,171,148	1,880,353	4,051,501	578,820
Prepaid items	1,128,759	-	1,128,759	-
Capital assets not being depreciated	11,779,045	2,020,368	13,799,413	16,226,006
Capital assets being depreciated, net	10,861,677	30,741,635	41,603,312	2,776,067
Total assets	44,180,097	58,162,240	102,342,337	25,078,557
Deferred outflows of resources				
Deferred charge on refunding	-	-	-	75,187
Deferred pension amounts	597,884	77,108	674,992	-
Deferred other postemployment benefit amounts	137,330	40,645	177,975	-
Total deferred outflows of resources	735,214	117,753	852,967	75,187
Liabilities				
Accounts payable and accrued liabilities	829,682	1,344,616	2,174,298	49,337
Unearned revenues	1,024,657	-	1,024,657	14,185
Bonds, notes and other long-term liabilities:				
Due within one year	176,142	108,394	284,536	1,279,571
Due in more than one year	-	2,605,122	2,605,122	1,035,000
Other liabilities, due in more than one year:				
Net pension liability	1,732,030	455,465	2,187,495	-
Net other postemployment benefit liability	78,072	23,142	101,214	-
Total liabilities	3,840,583	4,536,739	8,377,322	2,378,093
Deferred inflows of resources				
Deferred other postemployment benefit amounts	110,649	32,745	143,394	-
Net position				
Net investment in capital assets	22,640,722	30,066,881	52,707,603	16,687,502
Restricted for:				
Roads	344,816	-	344,816	-
Land preservation	3,355,634	-	3,355,634	-
Public safety	2,829,485	-	2,829,485	-
Metro act	122,082	-	122,082	-
Public improvement	265,801	-	265,801	-
Tree mitigation	411,591	-	411,591	-
Opioid settlement	29,551	-	29,551	-
Parks and recreation	3,170,900	-	3,170,900	-
Bus	832,988	-	832,988	-
Community development	-	-	-	6,088,149
Unrestricted	6,960,509	23,643,628	30,604,137	-
Total net position	\$ 40,964,079	\$ 53,710,509	\$ 94,674,588	\$ 22,775,651

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

TOWNSHIP OF SCIO, MICHIGAN

Statement of Activities

For the Year Ended March 31, 2025

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 3,666,272	\$ 1,015,105	\$ 484,786	\$ -	\$ (2,166,381)
Public safety	4,746,691	52,025	2,303,820	-	(2,390,846)
Public works	683,367	163,705	117,011	101,129	(301,522)
Recreation and culture	392,450	-	57,075	-	(335,375)
Total governmental activities	9,488,780	1,230,835	2,962,692	101,129	(5,194,124)
Business-type activities:					
Water	4,446,438	4,496,191	135,435	643,382	828,570
Sewer	4,498,204	3,526,144	295,822	1,026,921	350,683
Total business-type activities	8,944,642	8,022,335	431,257	1,670,303	1,179,253
Total primary government	<u>\$ 18,433,422</u>	<u>\$ 9,253,170</u>	<u>\$ 3,393,949</u>	<u>\$ 1,771,432</u>	<u>\$ (4,014,871)</u>
Component units					
Downtown Development Authority	<u>\$ 2,089,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,089,399)</u>

continued...

TOWNSHIP OF SCIO, MICHIGAN

Statement of Activities

For the Year Ended March 31, 2025

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Change in net position				
Net (expense) revenue	\$ (5,194,124)	\$ 1,179,253	\$ (4,014,871)	\$ (2,089,399)
General revenues:				
Property taxes	3,832,484	-	3,832,484	2,152,227
Unrestricted state shared revenue	2,005,525	-	2,005,525	348,511
Unrestricted investment income	494,012	1,080,880	1,574,892	265,010
Gain on sale of capital assets	189,467	-	189,467	-
Other	122,903	-	122,903	-
Total general revenues	6,644,391	1,080,880	7,725,271	2,765,748
Change in net position	1,450,267	2,260,133	3,710,400	676,349
Net position, beginning of year	39,513,812	51,450,376	90,964,188	22,099,302
Net position, end of year	<u>\$ 40,964,079</u>	<u>\$ 53,710,509</u>	<u>\$ 94,674,588</u>	<u>\$ 22,775,651</u>

concluded.

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

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FUND FINANCIAL STATEMENTS

TOWNSHIP OF SCIO, MICHIGAN

Balance Sheet

Governmental Funds

March 31, 2025

	Special Revenue Funds			
	General	Fire Department	Parks and Recreation	Open Space Land Preservation
Assets				
Cash and cash equivalents	\$ 5,549,684	\$ 1,534,038	\$ 2,594,238	\$ 3,277,695
Investments	2,199,890	11,957	1,095,652	3,993
Accounts receivable	138,098	225,174	-	-
Taxes receivable	77,757	-	50,246	39,837
Special assessments receivable	-	74,792	-	-
Due from other governments	615,060	86,406	48,171	37,348
Due from other funds	816,601	22,299	-	-
Inventory	881	-	881	-
Prepaid items	64,356	1,062,641	-	-
Total assets	<u>\$ 9,462,327</u>	<u>\$ 3,017,307</u>	<u>\$ 3,789,188</u>	<u>\$ 3,358,873</u>
Liabilities				
Accounts payable	\$ 220,569	\$ 34,773	\$ 61,988	\$ 3,239
Accrued wages and benefits	36,428	48,330	3,088	-
Other accrued liabilities	364,311	-	-	-
Due to other funds	22,299	104,719	1,553	-
Unearned revenue	472,998	-	551,659	-
Total liabilities	<u>1,116,605</u>	<u>187,822</u>	<u>618,288</u>	<u>3,239</u>
Deferred inflows of resources				
Unavailable revenue	258,666	225,000	16,296	13,541
Fund balances				
Nonspendable - inventory and prepaid items	65,237	1,062,641	881	-
Restricted:				
Land preservation	-	-	-	3,342,093
Public safety	-	1,541,844	-	-
Metro act	-	-	-	-
Public improvement	-	-	-	-
Tree mitigation	-	-	-	-
Opioid settlement	11,651	-	-	-
Parks and recreation	-	-	3,153,723	-
Bus	-	-	-	-
Committed - capital improvements	-	-	-	-
Assigned - capital improvements	603,200	-	-	-
Unassigned (deficit)	7,406,968	-	-	-
Total fund balances	<u>8,087,056</u>	<u>2,604,485</u>	<u>3,154,604</u>	<u>3,342,093</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,462,327</u>	<u>\$ 3,017,307</u>	<u>\$ 3,789,188</u>	<u>\$ 3,358,873</u>

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



Capital Projects Fund		
Township Road Improvement Special Assessment	Nonmajor Governmental Funds	Totals
\$ 436,137	\$ 903,398	\$ 14,295,190
2,133	630,653	3,944,278
4,928	171,000	539,200
-	27,488	195,328
548,066	-	622,858
666	26,111	813,762
-	-	838,900
-	-	1,762
-	-	1,126,997
<u>\$ 991,930</u>	<u>\$ 1,758,650</u>	<u>\$ 22,378,275</u>
\$ -	\$ 56,956	\$ 377,525
-	-	87,846
-	-	364,311
647,114	63,215	838,900
-	-	1,024,657
<u>647,114</u>	<u>120,171</u>	<u>2,693,239</u>
<u>548,066</u>	<u>180,249</u>	<u>1,241,818</u>
-	-	1,128,759
-	-	3,342,093
-	-	1,541,844
-	122,082	122,082
-	265,801	265,801
-	240,591	240,591
-	-	11,651
-	-	3,153,723
-	823,739	823,739
-	6,017	6,017
-	-	603,200
(203,250)	-	7,203,718
<u>(203,250)</u>	<u>1,458,230</u>	<u>18,443,218</u>
<u>\$ 991,930</u>	<u>\$ 1,758,650</u>	<u>\$ 22,378,275</u>

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TOWNSHIP OF SCIO, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
March 31, 2025

Fund balances - total governmental funds	\$ 18,443,218
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	
Capital assets not being depreciated	11,779,045
Capital assets being depreciated, net	10,861,677
Certain assets are unavailable to pay for current period expenditures and therefore are deferred in the funds.	
	1,241,818
Certain liabilities, such as compensated absences, are not due and payable in the current period, and therefore are not reported in the funds.	
Accrued compensated absences	(176,142)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, the net other postemployment benefit liability, and related deferred amounts, are not due and payable in the current period or do not represent current financial resources, and therefore are not reported in the funds.	
Net pension liability	(1,732,030)
Deferred outflows related to the net pension liability	597,884
Net other postemployment benefit liability	(78,072)
Deferred outflows related to the net other postemployment benefit liability	137,330
Deferred inflows related to the net other postemployment benefit liability	<u>(110,649)</u>
Net position of governmental activities	<u><u>\$ 40,964,079</u></u>

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

TOWNSHIP OF SCIO, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended March 31, 2025

	Special Revenue Funds			
	General	Fire Department	Parks and Recreation	Open Space Land Preservation
Revenues				
Property taxes	\$ 1,456,408	\$ -	\$ 1,022,685	\$ 799,207
Special assessments	-	2,261,862	-	-
Intergovernmental	2,564,030	42,377	69,297	9,026
Charges for services	1,211,390	19,445	-	-
Rental income	15,000	-	-	-
Investment income	256,431	58,068	83,687	27,587
Other	102,160	4,075	179	-
Total revenues	<u>5,605,419</u>	<u>2,385,827</u>	<u>1,175,848</u>	<u>835,820</u>
Expenditures				
Current:				
General government	2,999,240	-	-	-
Public safety	1,477,493	2,765,343	-	-
Public works	454,763	-	-	77,952
Recreation and culture	-	-	497,784	-
Capital outlay	198,170	-	-	-
Total expenditures	<u>5,129,666</u>	<u>2,765,343</u>	<u>497,784</u>	<u>77,952</u>
Revenues over (under) expenditures	<u>475,753</u>	<u>(379,516)</u>	<u>678,064</u>	<u>757,868</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	303,721	-	-	-
Transfers in	1,814	61,718	-	-
Transfers out	(8,080)	-	-	-
Total other financing sources (uses)	<u>297,455</u>	<u>61,718</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>773,208</u>	<u>(317,798)</u>	<u>678,064</u>	<u>757,868</u>
Fund balances, beginning of year	<u>7,313,848</u>	<u>2,922,283</u>	<u>2,476,540</u>	<u>2,584,225</u>
Fund balances, end of year	<u>\$ 8,087,056</u>	<u>\$ 2,604,485</u>	<u>\$ 3,154,604</u>	<u>\$ 3,342,093</u>

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



Capital Projects Fund		
Township Road Improvement Special Assessment	Nonmajor Governmental Funds	Totals
\$ -	\$ 554,184	\$ 3,832,484
136,082	-	2,397,944
-	6,625	2,691,355
-	-	1,230,835
-	-	15,000
29,164	39,075	494,012
-	16,489	122,903
<u>165,246</u>	<u>616,373</u>	<u>10,784,533</u>
-	755,305	3,754,545
-	-	4,242,836
5	-	532,720
-	-	497,784
-	-	198,170
<u>5</u>	<u>755,305</u>	<u>9,226,055</u>
<u>165,241</u>	<u>(138,932)</u>	<u>1,558,478</u>
-	-	303,721
6,155	-	69,687
<u>(1,814)</u>	<u>(59,793)</u>	<u>(69,687)</u>
<u>4,341</u>	<u>(59,793)</u>	<u>303,721</u>
169,582	(198,725)	1,862,199
<u>(372,832)</u>	<u>1,656,955</u>	<u>16,581,019</u>
<u>\$ (203,250)</u>	<u>\$ 1,458,230</u>	<u>\$ 18,443,218</u>

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TOWNSHIP OF SCIO, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended March 31, 2025

Net change in fund balances - total governmental funds \$ 1,862,199

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased	711,257
Depreciation expense	(697,365)
Proceeds from sale of capital assets	(303,721)
Gain on sale of capital assets	189,467

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (34,953)

Some 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.

Change in the net pension liability and related deferred amounts	(252,747)
Change in the net other postemployment benefit liability and related deferred amounts	(9,825)
Change in the accrual for compensated absences	(14,045)

Change in net position of governmental activities \$ 1,450,267

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

TOWNSHIP OF SCIO, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended March 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,442,340	\$ 1,442,340	\$ 1,456,408	\$ 14,068
Intergovernmental	2,687,875	2,799,275	2,564,030	(235,245)
Charges for services	1,301,082	1,270,032	1,211,390	(58,642)
Rental income	48,175	48,175	15,000	(33,175)
Investment income	147,425	287,425	256,431	(30,994)
Other	9,500	104,333	102,160	(2,173)
Total revenues	5,636,397	5,951,580	5,605,419	(346,161)
Expenditures				
Current:				
General government:				
General	478,201	435,501	407,061	(28,440)
Supervisor	66,687	76,687	59,977	(16,710)
Administrator	322,098	182,098	143,872	(38,226)
Accounting	210,628	222,628	198,901	(23,727)
Clerk	239,786	249,786	215,705	(34,081)
Technology	301,577	236,577	142,797	(93,780)
Treasurer	301,240	331,240	245,696	(85,544)
Assessing	371,599	371,599	299,107	(72,492)
Elections	189,754	149,754	123,249	(26,505)
Buildings and grounds	596,116	271,116	144,995	(126,121)
Attorney	140,000	432,000	366,371	(65,629)
Human resources	97,070	166,020	143,527	(22,493)
Recycling	47,151	47,151	5,000	(42,151)
Watershed council	20,500	25,500	16,035	(9,465)
Planning	453,281	393,281	347,133	(46,148)
Zoning	173,940	129,440	102,756	(26,684)
Code enforcement	47,648	37,848	30,088	(7,760)
Historic district	14,863	14,863	6,970	(7,893)
Total general government	4,072,139	3,773,089	2,999,240	(773,849)
Public safety	1,582,338	1,612,338	1,477,493	(134,845)
Public works	669,531	814,531	454,763	(359,768)
Capital outlay	30,000	246,600	198,170	(48,430)
Total expenditures	6,354,008	6,446,558	5,129,666	(1,316,892)

continued...

TOWNSHIP OF SCIO, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended March 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues over (under) expenditures	\$ (717,611)	\$ (494,978)	\$ 475,753	\$ 970,731
Other financing sources (uses)				
Proceeds from sale of capital assets	303,000	303,000	303,721	721
Transfers in	529,404	803,504	1,814	(801,690)
Transfers out	(569,440)	(575,595)	(8,080)	(567,515)
Total other financing sources (uses)	262,964	530,909	297,455	(233,454)
Net change in fund balance	(454,647)	35,931	773,208	737,277
Fund balance, beginning of year	7,313,848	7,313,848	7,313,848	-
Fund balance, end of year	<u>\$ 6,859,201</u>	<u>\$ 7,349,779</u>	<u>\$ 8,087,056</u>	<u>\$ 737,277</u>

concluded.

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

TOWNSHIP OF SCIO, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Fire Department Special Revenue Fund
For the Year Ended March 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 2,262,769	\$ 2,262,769	\$ 2,261,862	\$ (907)
Intergovernmental	-	750,000	42,377	(707,623)
Charges for services	80,463	80,463	19,445	(61,018)
Investment income	51,250	51,250	58,068	6,818
Other	3,588	3,588	4,075	487
Total revenues	2,398,070	3,148,070	2,385,827	(762,243)
Expenditures				
Current -				
Public safety	2,556,988	3,530,988	2,765,343	(765,645)
Revenues under expenditures	(158,918)	(382,918)	(379,516)	3,402
Other financing sources				
Transfers in	58,690	58,690	61,718	3,028
Net change in fund balance	(100,228)	(324,228)	(317,798)	6,430
Fund balance, beginning of year	2,922,283	2,922,283	2,922,283	-
Fund balance, end of year	\$ 2,822,055	\$ 2,598,055	\$ 2,604,485	\$ 6,430

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

TOWNSHIP OF SCIO, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Parks and Recreation Special Revenue Fund
For the Year Ended March 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,011,680	\$ 1,011,680	\$ 1,022,685	\$ 11,005
Intergovernmental	541,070	541,070	69,297	(471,773)
Investment income	14,873	14,873	83,687	68,814
Other	-	-	179	179
Total revenues	<u>1,567,623</u>	<u>1,567,623</u>	<u>1,175,848</u>	<u>(391,775)</u>
Expenditures				
Current -				
Parks and recreation	<u>1,651,935</u>	<u>740,685</u>	<u>497,784</u>	<u>(242,901)</u>
Net change in fund balance	<u>(84,312)</u>	<u>826,938</u>	<u>678,064</u>	<u>(148,874)</u>
Fund balance, beginning of year	<u>2,476,540</u>	<u>2,476,540</u>	<u>2,476,540</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,392,228</u>	<u>\$ 3,303,478</u>	<u>\$ 3,154,604</u>	<u>\$ (148,874)</u>

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

TOWNSHIP OF SCIO, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Open Space Land Preservation Special Revenue Fund
For the Year Ended March 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 749,731	\$ 749,731	\$ 799,207	\$ 49,476
Intergovernmental	6,150	6,150	9,026	2,876
Investment income	2,563	2,563	27,587	25,024
Total revenues	758,444	758,444	835,820	77,376
Expenditures				
Current - Public works	2,642,158	761,448	77,952	(683,496)
Net change in fund balance	(1,883,714)	(3,004)	757,868	760,872
Fund balance, beginning of year	2,584,225	2,584,225	2,584,225	-
Fund balance, end of year	<u>\$ 700,511</u>	<u>\$ 2,581,221</u>	<u>\$ 3,342,093</u>	<u>\$ 760,872</u>

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

TOWNSHIP OF SCIO, MICHIGAN

Statement of Net Position

Proprietary Funds

March 31, 2025

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 883,363	\$ 2,728,956	\$ 3,612,319
Investments	4,755,832	15,151,733	19,907,565
Accounts receivable	1,020,479	844,069	1,864,548
Due from other governments	7,716	8,089	15,805
Total current assets	<u>6,667,390</u>	<u>18,732,847</u>	<u>25,400,237</u>
Noncurrent assets:			
Capital assets not being depreciated	-	2,020,368	2,020,368
Capital assets being depreciated, net	19,039,583	11,702,052	30,741,635
Total noncurrent assets	<u>19,039,583</u>	<u>13,722,420</u>	<u>32,762,003</u>
Total assets	<u>25,706,973</u>	<u>32,455,267</u>	<u>58,162,240</u>
Deferred outflows of resources			
Deferred pension amounts	38,913	38,195	77,108
Deferred other postemployment benefit amounts	20,322	20,323	40,645
Total deferred outflows of resources	<u>59,235</u>	<u>58,518</u>	<u>117,753</u>
Liabilities			
Current liabilities:			
Accounts payable	228,748	293,654	522,402
Accrued wages and benefits	7,138	7,138	14,276
Other accrued liabilities	401,797	406,141	807,938
Compensated absences, current portion	9,197	9,197	18,394
Bonds and loans payable, current portion	90,000	-	90,000
Total current liabilities	<u>736,880</u>	<u>716,130</u>	<u>1,453,010</u>
Noncurrent liabilities:			
Bonds and loans payable, net of current portion	2,605,122	-	2,605,122
Net pension liability	229,564	225,901	455,465
Net other postemployment benefit liability	11,571	11,571	23,142
Total noncurrent liabilities	<u>2,846,257</u>	<u>237,472</u>	<u>3,083,729</u>
Total liabilities	<u>3,583,137</u>	<u>953,602</u>	<u>4,536,739</u>
Deferred inflows of resources			
Deferred other postemployment benefit amounts	16,374	16,371	32,745
Net position			
Net investment in capital assets	16,344,461	13,722,420	30,066,881
Unrestricted	5,822,236	17,821,392	23,643,628
Total net position	<u>\$ 22,166,697</u>	<u>\$ 31,543,812</u>	<u>\$ 53,710,509</u>

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

TOWNSHIP OF SCIO, MICHIGAN

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the Year Ended March 31, 2025

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating revenues			
Charges for services	\$ 4,496,191	\$ 3,526,144	\$ 8,022,335
Other	135,435	295,822	431,257
Total operating revenues	<u>4,631,626</u>	<u>3,821,966</u>	<u>8,453,592</u>
Operating expenses			
Cost of water	2,634,852	-	2,634,852
Cost of sewage treatment	-	2,635,444	2,635,444
Operation and maintenance	249,908	673,945	923,853
General and administrative	901,336	688,260	1,589,596
Depreciation	602,743	482,381	1,085,124
Total operating expenses	<u>4,388,839</u>	<u>4,480,030</u>	<u>8,868,869</u>
Operating income (loss)	<u>242,787</u>	<u>(658,064)</u>	<u>(415,277)</u>
Nonoperating revenues (expenses)			
Investment income	248,942	831,938	1,080,880
Interest expense	(75,773)	-	(75,773)
Total nonoperating revenues (expenses)	<u>173,169</u>	<u>831,938</u>	<u>1,005,107</u>
Income before capital contributions	415,956	173,874	589,830
Capital contributions	<u>643,382</u>	<u>1,026,921</u>	<u>1,670,303</u>
Change in net position	1,059,338	1,200,795	2,260,133
Net position, beginning of year	<u>21,107,359</u>	<u>30,343,017</u>	<u>51,450,376</u>
Net position, end of year	<u>\$ 22,166,697</u>	<u>\$ 31,543,812</u>	<u>\$ 53,710,509</u>

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

TOWNSHIP OF SCIO, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended March 31, 2025

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities			
Receipts from customers and users	\$ 4,373,452	\$ 3,615,270	\$ 7,988,722
Payments to suppliers	(3,543,347)	(3,785,059)	(7,328,406)
Payments to employees	(258,974)	(548,122)	(807,096)
Net cash from operating activities	<u>571,131</u>	<u>(717,911)</u>	<u>(146,780)</u>
Cash flows from capital and related financing activities			
Collection of connection fees	643,382	1,026,921	1,670,303
Purchase of capital assets	(524,767)	(337,320)	(862,087)
Principal paid on loans	(345,268)	-	(345,268)
Interest paid on loans	(75,773)	-	(75,773)
Net cash from capital and related financing activities	<u>(302,426)</u>	<u>689,601</u>	<u>387,175</u>
Cash flows from investing activities			
Investment income	<u>248,942</u>	<u>831,938</u>	<u>1,080,880</u>
Net change in cash and investments	517,647	803,628	1,321,275
Cash and investments, beginning of year	<u>5,121,548</u>	<u>17,077,061</u>	<u>22,198,609</u>
Cash and investments, end of year	<u>\$ 5,639,195</u>	<u>\$ 17,880,689</u>	<u>\$ 23,519,884</u>
Classified on the statement of net position as			
Cash and cash equivalents	\$ 883,363	\$ 2,728,956	\$ 3,612,319
Investments	<u>4,755,832</u>	<u>15,151,733</u>	<u>19,907,565</u>
	<u>\$ 5,639,195</u>	<u>\$ 17,880,689</u>	<u>\$ 23,519,884</u>

continued...

TOWNSHIP OF SCIO, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended March 31, 2025

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities			
Operating income (loss)	\$ 242,787	\$ (658,064)	\$ (415,277)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	602,743	482,381	1,085,124
Change in:			
Accounts receivable	(250,458)	(198,607)	(449,065)
Due from other governments	(7,716)	(8,089)	(15,805)
Deferred outflows related to the net pension liability	464	2,115	2,579
Deferred outflows related to the net other postemployment benefit liability	16,684	16,683	33,367
Accounts payable	(36,342)	(168,101)	(204,443)
Accrued wages and benefits	3,788	3,788	7,576
Other accrued liabilities	117,487	(192,300)	(74,813)
Due to other governments	(129,172)	(3,176)	(132,348)
Net pension liability	25,217	19,808	45,025
Net other postemployment benefit liability	(6,677)	(6,676)	(13,353)
Deferred inflows related to the net other postemployment benefit liability	(10,797)	(10,797)	(21,594)
Compensated absences	3,123	3,124	6,247
Net cash from operating activities	<u>\$ 571,131</u>	<u>\$ (717,911)</u>	<u>\$ (146,780)</u>

concluded.

The accompanying notes are an integral part of these basic financial statements.

TOWNSHIP OF SCIO, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

March 31, 2025

	Retiree Healthcare Trust	Custodial Funds
Assets		
Cash and cash equivalents	\$ -	\$ 2,138,275
Investments - MERS total market portfolio	233,038	-
Total assets	233,038	2,138,275
Liabilities		
Due to other governments	-	2,138,275
Net position		
Restricted for other postemployment benefits	<u>\$ 233,038</u>	<u>\$ -</u>

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

TOWNSHIP OF SCIO, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended March 31, 2025

	Retiree Healthcare Trust	Custodial Funds
Additions		
Investment income:		
Net change in fair value of investments	\$ 11,696	\$ -
Investment expenses	(483)	-
	<hr/>	<hr/>
Net investment income	11,213	-
Employer contributions	21,733	-
Taxes collected for other governments	-	63,801,483
	<hr/>	<hr/>
Total additions	32,946	63,801,483
	<hr/>	<hr/>
Deductions		
Benefit payments	21,733	-
Payment of property taxes to other governments	-	63,801,483
	<hr/>	<hr/>
Total deductions	21,733	63,801,483
	<hr/>	<hr/>
Change in net position	11,213	-
Net position, beginning of year	221,825	-
	<hr/>	<hr/>
Net position, end of year	\$ 233,038	\$ -
	<hr/> <hr/>	<hr/> <hr/>

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

TOWNSHIP OF SCIO, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

March 31, 2025

	Downtown Development Authority	Economic Development Corporation	Totals
Assets			
Cash and cash equivalents	\$ 1,481,351	\$ 10,539	\$ 1,491,890
Investments	4,005,774	-	4,005,774
Due from other governments	578,820	-	578,820
Capital assets not being depreciated	16,226,006	-	16,226,006
Capital assets being depreciated, net	2,776,067	-	2,776,067
Total assets	25,068,018	10,539	25,078,557
Deferred outflows of resources			
Deferred charge on refunding	75,187	-	75,187
Liabilities			
Accounts payable	25,037	-	25,037
Accrued interest payable	24,300	-	24,300
Unearned revenue	14,185	-	14,185
Bonds, notes and other long-term liabilities:			
Due within one year	1,279,571	-	1,279,571
Due in more than one year	1,035,000	-	1,035,000
Total liabilities	2,378,093	-	2,378,093
Net position			
Net investment in capital assets	16,687,502	-	16,687,502
Restricted for community development	6,077,610	10,539	6,088,149
Total net position	\$ 22,765,112	\$ 10,539	\$ 22,775,651

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

TOWNSHIP OF SCIO, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units

For the Year Ended March 31, 2025

	Downtown Development Authority	Economic Development Corporation	Totals
Expenses			
Community and economic development	\$ 2,089,399	\$ -	\$ 2,089,399
General revenues			
Property taxes	2,152,227	-	2,152,227
Unrestricted state shared revenue	348,511	-	348,511
Unrestricted investment income	264,889	121	265,010
Total general revenues	<u>2,765,627</u>	<u>121</u>	<u>2,765,748</u>
Change in net position	676,228	121	676,349
Net position, beginning of year	<u>22,088,884</u>	<u>10,418</u>	<u>22,099,302</u>
Net position, end of year	<u><u>\$ 22,765,112</u></u>	<u><u>\$ 10,539</u></u>	<u><u>\$ 22,775,651</u></u>

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

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the Township and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Blended Component Unit

The **Scio Township Building Authority** (the "Authority") was created to provide for the financing of renovations to the Township Hall. The Authority's governing body, which consists of three individuals, was created during the fiscal year ended March 31, 1999. Authority operations consist of the issuance and repayment of debt and the construction of facilities. Although it is legally separate from the Township, the Authority is reported as if it were part of the primary government because its primary purpose is to finance and construct the Township's public buildings.

Discretely Presented Component Units

The **Downtown Development Authority** (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA's governing body, which consists of nine individuals, is selected by the Township's board. In addition, the DDA's budget is subject to approval by the Township's board. Interim internal financial statements are prepared monthly and available at the Township Hall. The report may be obtained by writing to the Township at 827 North Zeeb Road, Ann Arbor, MI 48103.

The **Economic Development Corporation** (the "Corporation") was created to provide the means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents of the Township. A 10-member board, appointed by the Township's board, administers the Corporation. Interim financial statements are prepared monthly and available at the Township Hall. The report may be obtained by writing to the Township at 827 North Zeeb Road, Ann Arbor, MI 48103.

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

Fiduciary Component Unit

The ***Scio Township Other Postemployment Benefit Plan*** (the "OPEB Plan") is a single-employer defined benefit postemployment healthcare plan established and administered by the Township to provide healthcare benefits to eligible retirees and their beneficiaries. The OPEB Plan is administered through the Retiree Healthcare Trust. The Township is financially accountable for the OPEB Plan, as it is obligated to make employer contributions. Plan provisions are established and may be amended by the Township Board of Trustees, subject to the Township's various collective bargaining agreements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, 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 separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Township reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all the financial resources of the general government, except those accounted for and reported in another fund.

The *fire department special revenue fund* is used to account for moneys collected and expended for fire protection services.

The *parks and recreation special revenue fund* accounts for the moneys collected and expended to develop and maintain nature preserves, parks, trails, recreational opportunities, including a network of nonmotorized pathways.

The *open space land preservation special revenue fund* accounts for moneys collected to be used for permanent preservation of farmland, open space, wildlife, etc. and to provide new parks and recreational opportunities.

The *township road improvement special assessment capital projects fund* is used to account for the moneys collected and expended for road improvements. This fund includes the Township Special Assessment District Fund, Township Road Improvement Revolving Fund, the 2014 Road Special Assessment District Fund, Park Road Special Assessment District Fund, the 2015 Road Special Assessment District Road Fund, the 2016 Road Special Assessment Fund, the 2017 Road Special Assessment Fund, the 2018 Road Special Assessment Fund, and the 2020 SAD Road Special Assessment Fund.

The Township reports the following major proprietary funds:

The *water fund* accounts for the activities of the water distribution fund.

The *sewer fund* accounts for activities of the sewage collection system.

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

Additionally, the Township reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *retiree healthcare trust fund* accounts for the assets and expenses of the Township retirees' other postemployment benefits (OPEB).

Custodial funds account for assets held by the Township in a custodial capacity for other governments and entities (such as taxes collected for other governments).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 enterprise funds are charges to customers for sales and services. 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.

Restricted net position consist of assets that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value. Pooled investment income from the general fund is generally allocated to each fund based on the relative participation in the pool.

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

State statutes authorize the Township 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, bankers' acceptances and mutual funds composed of otherwise legal investments.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Inventory and Prepaid Items

Inventory is valued at the lower of cost (first in, first out) or market. The cost is recorded as an expenditure when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, intangible assets, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 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 their estimated acquisition cost as of the date of donation.

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

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

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

	Years
Sidewalks and other intangible rights	25
Sewer meters	25
Utility system	25-50
Buildings	25-50
Machinery and equipment	5-30
Vehicles	5-20
Land improvements	10-25
Road rights and infrastructure	25

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township reports deferred charges on refunding in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized on a straight-line basis over the shorter of the life of the refunded or refunding debt. The Township also reports deferred outflows of resources related to its pension and other postemployment benefit plans in the government-wide and proprietary funds statement of net position.

Unearned Revenues

The Township reports unearned revenues in connection with assets received or receivable that are not considered to have yet been earned.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other-long term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the current period.

Compensated Absences

The Township recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – paid time off and compensatory. The liability for compensated absences is reported as 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 resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

Deferred Inflows of Resources

In addition to liabilities, the statements of net position and governmental funds balance sheet will sometime report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. In the governmental fund financial statements, the Township reports unavailable revenues, which arises only under a modified accrual basis of accounting. In the government-wide and proprietary fund financial statements, deferred inflows of resources are reported related to the other postemployment benefits plan.

Fund Equity

Governmental funds report *nonspendable* fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted* fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. *Committed* fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees (the government's highest level of decision-making authority). A formal resolution of the Board of Trustees is required to establish, modify, or rescind a fund balance commitment. The Township reports *assigned* fund balance for amounts that are constrained by the government's intent to be used for specific purposes which are established by the Board of Trustees as well. *Unassigned* fund balance is the residual classification for the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In governmental funds, other than the general fund, it is not appropriate to report a positive unassigned fund balance amount. When expenditures incurred for specific purposes in the other governmental funds exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance (if applicable), and finally unassigned fund balance.

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension liability, net/total other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other post employment benefit expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Additionally, management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general fund and all special revenue funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level for the general fund and the fund level for the special revenue funds. State law requires the Township to have its budget in place by April 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits local units to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

The Township did not incur expenditures in excess of the amounts appropriated at the legal level of budgetary control.

Deficit Fund Balances

The township road improvement special assessment capital projects fund had a deficit fund balance at March 31, 2025 of \$203,250. As special assessments are assessed and collected, the deficit will be eliminated.

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

3. DEPOSITS AND INVESTMENTS

A reconciliation of cash and cash equivalents and investments as shown on the Statement of Net Position and Statement of Fiduciary Net Position to deposits as classified for note disclosure purposes is as follows:

	Primary Government	Component Unit	Totals
Statement of Net Position			
Cash and investments	\$ 41,759,352	\$ 5,497,664	\$ 47,257,016
Statement of Fiduciary Net Position			
Cash and cash equivalents	2,138,275	-	2,138,275
Investments	233,038	-	233,038
Total	<u>\$ 44,130,665</u>	<u>\$ 5,497,664</u>	<u>\$ 49,628,329</u>
Deposits			
Bank deposits (checking and savings)			\$ 17,802,915
Certificates of deposit			1,599,297
Cash on hand			700
Investments in securities, mutual funds and similar vehicles:			
Money market funds			6,252,686
Commercial paper			15,796,321
Michigan CLASS government investment pool			7,943,372
MERS total market portfolio			<u>233,038</u>
Total			<u>\$ 49,628,329</u>

Bank Deposits and Investments

Custodial Credit Risk - Deposits. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Township's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. State law does not require and the Township does not have a policy for deposit custodial credit risk.

At year-end, \$22,880,432 of the combined bank balance of \$23,634,983 of deposits and collateralized sweep accounts (total book balance of \$19,402,212) was exposed to custodial credit risk as it was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable level are used as depositories.

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

The Michigan Public Employees Retirement Systems’ Investment Act, Public Act 314 of 1965, as amended, authorizes the Retiree Healthcare Trust (the "Plan") to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Plan's governing body has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the Plan's investments; all investment decisions are subject to Michigan law and the investment policy established by the governing body.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified under “statutory authority” above. The Township's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

Custodial Credit Risk - Investments. Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agent but not in the government’s name. In accordance with the Township’s investment policy, all investments are held in the name of the Township and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township's investment policy and State law require that commercial paper be rated in the top two ratings by at least two nationally recognized statistical rating organizations. Ratings are not required for money market funds. Investments in the MERS total market portfolio were not rated. The Township's ratings on investments as of March 31, 2025 are as follows:

	Rating (S&P)	Total
Commercial paper	A1	\$ 6,805,153
Commercial paper	A2	8,991,168
Michigan CLASS government investment pool	AAAm	<u>7,943,372</u>
		<u>\$ 23,739,693</u>

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits investment maturities for commercial paper to no more than 270 days after date of purchase. The Township’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest. The Township's weighted average maturity dates for commercial paper is disclosed below:

Investment type	Fair Value	Weighted Average Maturity (days)
Commercial paper	\$ 15,796,321	136

Fair Value Measurements. The Township categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs – other than quoted prices included within Level 1- that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the management's review of the type and substance of investments held by the Township.

The Township's recurring fair value measurement as of March 31, 2025 were related to its investments in commercial paper. These investments are valued using significant other observable inputs of the underlying securities (Level 2 inputs). In addition, the Township's Retiree Healthcare Plan investment in the MERS total market portfolio is valued using quoted prices in active markets for identical assets (Level 1 inputs).

The Township holds shares in Michigan CLASS whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient. At year end, the net asset value of the Township's investment in Michigan CLASS was \$7,943,372. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, highgrade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It 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.

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

4. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 539,200	\$ 1,864,548	\$ -
Taxes	195,328	-	-
Special assessments	622,858	-	-
Due from other governments	813,762	15,805	578,820
	<u>\$ 2,171,148</u>	<u>\$ 1,880,353</u>	<u>\$ 578,820</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 377,525	\$ 522,402	\$ 25,037
Accrued wages and benefits	87,846	14,276	-
Other accrued liabilities	364,311	807,938	-
Accrued interest	-	-	24,300
	<u>\$ 829,682</u>	<u>\$ 1,344,616</u>	<u>\$ 49,337</u>

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of March 31, 2025, is as follows:

	Due from Other funds	Due to Other funds
General fund	\$ 816,601	\$ 22,299
Fire department	22,299	104,719
Parks and recreation	-	1,553
Township road improvement special assessment	-	647,114
Nonmajor governmental	-	63,215
	<u>\$ 838,900</u>	<u>\$ 838,900</u>

Due to/due from other funds balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ended March 31, 2025, interfund transfers consisted of the following:

	Transfers in	Transfers out
General fund	\$ 1,814	\$ 8,080
Fire department	61,718	-
Township road improvement special assessment	6,155	1,814
Nonmajor governmental	-	59,793
	<u>\$ 69,687</u>	<u>\$ 69,687</u>

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

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

7. CAPITAL ASSETS

Capital asset activity for the Township for the year ended March 31, 2025, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 1,091,090	\$ 105,514	\$ (113,908)	\$ -	\$ 1,082,696
Land preservation - land and easement	9,951,627	-	-	-	9,951,627
Construction in progress	254,648	353,645	-	(79,526)	528,767
Drain rights and infrastructure	215,955	-	-	-	215,955
	<u>11,513,320</u>	<u>459,159</u>	<u>(113,908)</u>	<u>(79,526)</u>	<u>11,779,045</u>
Capital assets being depreciated:					
Sidewalks and other intangible rights	6,061,341	-	-	-	6,061,341
Buildings	6,374,307	31,900	-	-	6,406,207
Machinery and equipment	913,824	94,619	(3,607)	46,590	1,051,426
Vehicles	1,656,322	-	-	-	1,656,322
Land improvements	358,304	125,579	-	32,936	516,819
	<u>15,364,098</u>	<u>252,098</u>	<u>(3,607)</u>	<u>79,526</u>	<u>15,692,115</u>
Less accumulated depreciation for:					
Sidewalks and other intangible rights	(1,023,476)	(242,454)	-	-	(1,265,930)
Buildings	(1,526,284)	(323,782)	-	-	(1,850,066)
Machinery and equipment	(520,045)	(47,856)	3,261	-	(564,640)
Vehicles	(901,137)	(73,158)	-	-	(974,295)
Land improvements	(165,392)	(10,115)	-	-	(175,507)
	<u>(4,136,334)</u>	<u>(697,365)</u>	<u>3,261</u>	<u>-</u>	<u>(4,830,438)</u>
Total capital assets being depreciated, net	<u>11,227,764</u>	<u>(445,267)</u>	<u>(346)</u>	<u>79,526</u>	<u>10,861,677</u>
Governmental activities capital assets, net	<u>\$ 22,741,084</u>	<u>\$ 13,892</u>	<u>\$ (114,254)</u>	<u>\$ -</u>	<u>\$ 22,640,722</u>

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 1,995,542	\$ -	\$ -	\$ -	\$ 1,995,542
Construction in progress	153,336	24,751	-	(153,261)	24,826
	<u>2,148,878</u>	<u>24,751</u>	<u>-</u>	<u>(153,261)</u>	<u>2,020,368</u>
Capital assets being depreciated:					
Utility systems	48,919,260	231,788	-	153,261	49,304,309
Buildings	2,413,580	21,197	-	-	2,434,777
Machinery and equipment	296,869	33,134	-	-	330,003
Vehicles	190,354	101,534	(25,883)	-	266,005
Sewer meters	112,007	449,683	-	-	561,690
	<u>51,932,070</u>	<u>837,336</u>	<u>(25,883)</u>	<u>153,261</u>	<u>52,896,784</u>
Less accumulated depreciation for:					
Utility systems	(19,880,125)	(1,005,102)	-	-	(20,885,227)
Buildings	(892,713)	(52,317)	-	-	(945,030)
Machinery and equipment	(234,551)	(14,235)	-	-	(248,786)
Vehicles	(81,401)	(13,470)	25,883	-	(68,988)
Sewer meters	(7,118)	-	-	-	(7,118)
	<u>(21,095,908)</u>	<u>(1,085,124)</u>	<u>25,883</u>	<u>-</u>	<u>(22,155,149)</u>
Total capital assets being depreciated, net	<u>30,836,162</u>	<u>(247,788)</u>	<u>-</u>	<u>153,261</u>	<u>30,741,635</u>
Business-type activities capital assets, net	<u>\$ 32,985,040</u>	<u>\$ (223,037)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,762,003</u>

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

Governmental activities

General government	\$ 88,017
Public safety	366,693
Public works	134,612
Recreation and culture	<u>108,043</u>

Total depreciation expense - governmental activities \$ 697,365

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

Business-type activities

Water	\$ 602,743
Sewer	<u>482,381</u>

Total depreciation expense - business-type activities \$ 1,085,124

Construction Commitments

The Township has active construction projects at year end. At year end, the Township's commitments with contractors are as follows:

HVAC Replacement	\$ 1,570,000
Force Main Replacement Construction Services	7,855
Phase II and III Construction of Liberty Road Watermain	300,000
MEDC Zeeb Road Pathways Phase V Project	164,895
Park Road Paving and Pathway Improvements	<u>17,990</u>
	<u><u>\$ 2,060,740</u></u>

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Component Unit - DDA					
Capital assets not being depreciated -					
Road rights and infrastructure	\$ 16,140,281	\$ 85,725	\$ -	\$ -	<u>\$ 16,226,006</u>
Capital assets being depreciated -					
Road rights and infrastructure	22,069,568	-	-	-	22,069,568
Less accumulated depreciation for -					
Road rights and infrastructure	(18,406,901)	(886,600)	-	-	<u>(19,293,501)</u>
Total capital assets being depreciated, net	<u>3,662,667</u>	<u>(886,600)</u>	<u>-</u>	<u>-</u>	<u>2,776,067</u>
Component unit - DDA capital assets, net	<u><u>\$ 19,802,948</u></u>	<u><u>\$ (800,875)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 19,002,073</u></u>

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

8. BONDS, NOTES AND OTHER LONG-TERM LIABILITIES

Bonds, notes and other long-term liabilities activity for the year ended March 31, 2025, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	\$ 162,097	\$ 14,045	\$ -	\$ 176,142	\$ 176,142
Business-type Activities					
Notes from direct borrowings and direct placements	\$ 3,040,390	\$ -	\$ (345,268)	\$ 2,695,122	\$ 90,000
Compensated absences	12,147	6,247	-	18,394	18,394
	<u>\$ 3,052,537</u>	<u>\$ 6,247</u>	<u>\$ (345,268)</u>	<u>\$ 2,713,516</u>	<u>\$ 108,394</u>
Component Unit - DDA					
General obligation bonds	\$ 3,550,000	\$ -	\$ (1,265,000)	\$ 2,285,000	\$ 1,250,000
Unamortized premium	59,141	-	(29,570)	29,571	29,571
	<u>\$ 3,609,141</u>	<u>\$ -</u>	<u>\$ (1,294,570)</u>	<u>\$ 2,314,571</u>	<u>\$ 1,279,571</u>

The change in compensated absences above is a net change for the year.

	Interest Rate	Year of Maturity	Original Amount	Outstanding Principal
Business-type Activities				
Drinking Water Revolving Fund (DWRF) Loans:				
2008 DWRF	2.50%	2028	\$ 2,490,749	\$ 185,749
Contractual obligation to the City of Ann Arbor - 2012 DWRF	2.50%	2035	4,882,478	<u>2,509,373</u>
				<u>\$ 2,695,122</u>
Component Unit - DDA				
2015 Refunding Bonds	2.00% - 4.00%	2026	\$ 6,910,000	\$ 990,000
2017 Refunding Bonds	2.21%	2029	2,765,000	<u>1,295,000</u>
				<u>\$ 2,285,000</u>

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended March 31,	Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest
2026	\$ 90,000	\$ 34,054	\$ 1,250,000	\$ 58,320
2027	306,022	62,668	305,000	22,874
2028	301,775	54,968	345,000	16,133
2029	273,277	47,375	385,000	8,509
2030	276,158	40,459	-	-
2031-2035	1,447,890	94,417	-	-
	<u>\$ 2,695,122</u>	<u>\$ 333,941</u>	<u>\$ 2,285,000</u>	<u>\$ 105,836</u>

9. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for property loss, torts, errors and omissions, and medical benefit claims from the Accident Fund Insurance Company of America for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

10. PROPERTY TAXES

Property taxes are levied on each December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are due on February 14 with the final collection date of the last day of February before they are added to the Township tax roll.

The Township's 2024 property tax revenue was levied and collectible on December 1, 2024 and is recognized as revenue in the year ended March 31, 2025 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2024 taxable valuation of the Township totaled \$1.8 billion (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 0.9104 mills for operating purposes, 0.5000 mills for land preservation services, 0.3468 mills for bus transportation, and 0.6398 mills for parks and pathways. After DDA capture, this resulted in approximately \$1,416,000 for operating, \$776,000 for open space land preservation, \$538,000 for bus transportation, and \$993,000 for parks and pathways. These amounts are recognized in the respective General, Open Space Land Preservation, Bus, and Parks and Recreation fund financial statements as tax revenue.

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

11. PENSION PLANS

Defined Benefit Plan

General Information About the Plan

Plan Description. The Township's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Township participates in the Municipal Employees Retirement System (MERS) of Michigan. 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 accessing the MERS website at www.mersofmich.com.

Benefits Provided. Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 3 or 5 year period) and multipliers ranging from 1.50% to 2.25%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service, or age 55 with 15 years of service, depending on division/bargaining unit.

Employees Covered by Benefit Terms. At the December 31, 2024 valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>10</u>
Total membership	<u><u>25</u></u>

Contributions. The employer is required to contribute amounts at least equal to the 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. In addition, the employer may establish contribution rates to be paid by its covered employees.

For general and fire employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. General and fire employees are required to contribute 1.30 and 1.38 percent of compensation, respectively. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. For the measurement year ended December 31, 2024, the average employer contribution rate was 23.2 percent of annual payroll.

Net Pension Liability. The Township's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

Actuarial Assumptions. The total pension liability in the December 31, 2024 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 and administrative expense including inflation

The base mortality tables used are constructed as described below and are based on are amount weighted sex distinct rates:

- Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120
- Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120
- Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of the most recent actuarial experience study of 2019-2023.

Long-term Expected Rate of Return. 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 table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.0%	4.50%	2.70%
Global fixed income	20.0%	2.00%	0.40%
Private investments	20.0%	7.00%	1.40%
	<u>100.0%</u>		
Inflation			2.50%
Dedicated gains adjustment			-0.07%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>7.18%</u></u>

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

In February 2022, the MERS Retirement Board adopted a Dedicated Gains Policy. The purpose of the Policy is to automatically reduce the assumed rate of investment return for annual actuarial valuation purposes if the plan year's market value of investment income exceeds the expected investment income.

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2024 was 7.18%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and 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.

Changes in Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at March 31, 2024	\$ 6,615,496	\$ 4,706,082	\$ 1,909,414
Changes for the year:			
Service cost	97,846	-	97,846
Interest	468,484	-	468,484
Differences between expected and actual experience	280,424	-	280,424
Changes in assumptions	31,933	-	31,933
Employer contributions	-	239,910	(239,910)
Employee contributions	-	17,330	(17,330)
Net investment income	-	353,888	(353,888)
Benefit payments, including refunds of employee contributions	(279,131)	(279,131)	-
Administrative expense	-	(10,522)	10,522
Net changes	599,556	321,475	278,081
Balances at March 31, 2025	\$ 7,215,052	\$ 5,027,557	\$ 2,187,495

Changes in Assumptions. A 5-year experience study analyzing historical experience from 2019 through 2023 was completed in February 2025. The experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, and termination rates.

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Township, calculated using the discount rate of 7.18%, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
Net pension liability	<u>\$ 3,069,725</u>	<u>\$ 2,187,495</u>	<u>\$ 1,446,415</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended March 31, 2025, the Township recognized pension expense of \$549,114. The Township reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 320,438
Changes in assumptions	116,490
Net difference between projected and actual earnings on pension plan investments	<u>175,874</u>
Contributions subsequent to the measurement date	<u>62,190</u>
Total	<u><u>\$ 674,992</u></u>

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending March 31, 2026. Other amounts reported as deferred outflows/inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended March 31,	Amount
2026	\$ 348,904
2027	228,240
2028	39,091
2029	<u>(3,433)</u>
Total	<u>\$ 612,802</u>

Payable to the Pension Plan. At March 31, 2025, the Township had no amounts payable for contributions to the pension plan.

Defined Contribution Plan

The Township also offers pension benefits to its elected officials through defined contribution plans. The plans are administered through John Hancock Retirement Plan Services, LLC and the Municipal Employees' Retirement System of Michigan. Firefighters and other full-time employees participated in this plan in the past but have since transferred to the defined benefit plan.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate 90 days from the date of employment. As established by the Board of Trustees, the Township contributes 8 percent of an employee's approved pension earnings. Employee contributions are not required. In accordance with these requirements, the Township contributed approximately \$144,000 during the current year. The Township's contributions for each employee are fully vested upon entering service.

12. OTHER POSTEMPLOYMENT BENEFIT PLAN

Defined Benefit Plan

General Information About the Plan

Plan Description. The Township participates in a single-employer other postemployment benefit plan (the "OPEB Plan") that provides healthcare benefits to eligible retirees and their beneficiaries. In March 2023, the Township adopted the Michigan Municipal Employees' Retirement System (MERS) Retiree Health Funding Vehicle to fund the obligation. The OPEB Plan was adopted and established by the Township Board of Trustees.

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

The Township opted to participate in the Municipal Employees' Retirement System (MERS) Retirement Health Funding Vehicle (RHFV). The MERS RHFV became operational in the fall of 2004, and was made available to all municipalities in Michigan. Participating municipalities can contribute monies to the Trust as desired and no contribution method is imposed. These funds constitute a health care fund, which enable municipalities to accumulate monies to provide or subsidize health benefits for retirees and beneficiaries as defined by Code Section 213. The Retiree Health Funding Vehicle accounts are invested in the MERS portfolio choices and earnings are tax exempt as a result of the MERS Private Letter Ruling. Plan provisions and requirements are specified in the MERS Health Care Savings Program and Retiree Health Funding Vehicle Plan Document and Trust.

The OPEB Plan does not issue a publicly available financial report as it is audited within the financial report of the Township.

Benefits Provided. The Township provides a monthly stipend to be used to supplement the insurance cost for postemployment healthcare benefits upon retirement in accordance with labor contracts. Effective March 31, 2023, the plan is closed to any participant who was not retired as of March 31, 2023.

Employees Covered by Benefit Terms. At March 31, 2025, the date of the most recent actuarial valuation, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	<u><u>10</u></u>
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Net Other Postemployment Benefits Liability. The Township's net other postemployment benefits liability was measured as of March 31, 2025, and the total other postemployment benefits liability used to calculate the net other postemployment benefits liability was determined by an actuarial valuation as of March 31, 2025.

Actuarial Assumptions. The total other postemployment benefits liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Investment rate of return	6.00%
Healthcare trend rate	2.50%

The rates of mortality used for individual members are based upon the sex distinct Pub-2010 tables, as published by the Society of Actuaries, and include a margin for future mortality improvements projected using a fully generational improvement scale.

- **Healthy Post-Retirement Mortality:** Sex distinct Pub-2010 General Healthy Retiree tables scaled by a factor of 106%. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2021, as published by the Society of Actuaries.
- **Disability Retirement Mortality:** Sex distinct PubNS-2010 Disabled tables without adjustment. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2021, as published by the Society of Actuaries.

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

Long-term Expected Rate of Return. The long-term expected rate of return on other postemployment benefits 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 table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Equities			
Global equities	60.00%	4.50%	2.70%
Global fixed income	20.00%	2.00%	0.40%
Private assets	20.00%	7.00%	1.40%
	100.00%		4.50%
Inflation assumption			1.50%
Investment rate of return			6.00%

Discount Rate. The discount rate used to measure the total other postemployment benefits liability is 6.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the other postemployment benefits 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 other postemployment benefits plan investments was applied to all periods of projected benefit payments to determine the total other postemployment benefits liability.

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

Changes in Net Other Postemployment Benefits Liability. The components of the change in the net other postemployment benefits (OPEB) liability are summarized as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at March 31, 2024	\$ 348,591	\$ 221,825	\$ 126,766
Changes for the year:			
Interest	20,254	-	20,254
Difference between expected and actual experience	(10,362)	-	(10,362)
Changes in assumptions	(2,498)	-	(2,498)
Employer contributions	-	21,733	(21,733)
Net investment income	-	11,213	(11,213)
Benefit payments, including refunds of employee contributions	(21,733)	(21,733)	-
Net changes	(14,339)	11,213	(25,552)
Balances at March 31, 2025	\$ 334,252	\$ 233,038	\$ 101,214

For the year ended March 31, 2025, plan fiduciary net position as a percentage of the total OPEB liability was 69.7%.

Changes in assumptions. For the year ended March 31, 2025, changes in assumptions included updates to the assumption for mortality improvement from the MP-2019 tables to the MP-2021 tables.

Sensitivity of the Net Other Postemployment Benefits Liability to Changes in the Discount Rate. The following presents the net other postemployment benefits liability of the Township, calculated using the discount rate of 6.00%, as well as what the Township's net other postemployment benefits liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net other postemployment benefits liability	\$ 128,902	\$ 101,214	\$ 77,101

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

Sensitivity of the Net Other Postemployment Benefits Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net other postemployment benefits liability of the Township, calculated using the healthcare cost trend rate of 2.50%, as well as what the Township’s net other postemployment benefits liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (1.50%)	Current Healthcare Cost Trend Rate (2.50%)	1% Increase (3.50%)
Net other postemployment benefits liability	\$ 74,744	\$ 101,214	\$ 131,206

Other Postemployment Benefit Expense and Deferred Outflows/Inflows of Resources Related to Other Postemployment Benefits

For the year ended March 31, 2025, the Township recognized other postemployment benefits expense of \$29,985. The Township reported deferred outflows/inflows of resources related to other postemployment benefits as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 112,221	\$ 11,113	\$ 101,108
Changes in assumptions	65,754	123,440	(57,686)
Net difference between projected and actual earnings on other postemployment benefits plan investments	-	8,841	(8,841)
	<u>\$ 177,975</u>	<u>\$ 143,394</u>	<u>\$ 34,581</u>

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

Amounts reported as other postemployment benefits-related deferred outflows/inflows of resources will be recognized in other postemployment benefits expense as follows:

Year Ended March 31,	Amount
2026	\$ 27,357
2027	8,097
2028	(9,596)
2029	<u>8,723</u>
Total	<u><u>\$ 34,581</u></u>

Payable to the Other Postemployment Benefits Plan. At March 31, 2025, the Township reported no amount payable to the OPEB plan.

Health Care Savings Plan

The Township also offers other postemployment benefits to all full-time and permanent part-time employees through a health care savings plan. The plan is administered through the Municipal Employees' Retirement System of Michigan.

In a health care savings plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Board of Trustees, the Township contributes 3.5 percent of an employee's earnings and employees contribute 1.5 percent. In accordance with these requirements, the Township and employees contributed approximately \$114,000 and \$49,000, respectively during the current year.

13. NET INVESTMENT IN CAPITAL ASSETS

Following is a summary of the net investment in capital assets as of March 31, 2025:

	Governmental Activities	Business-type Activities	Component Units
Capital assets			
Capital assets not being depreciated	\$ 11,779,045	\$ 2,020,368	\$ 16,226,006
Capital assets being depreciated, net	<u>10,861,677</u>	<u>30,741,635</u>	<u>2,776,067</u>
	<u>22,640,722</u>	<u>32,762,003</u>	<u>19,002,073</u>
Related debt			
Bonds and loans payable	-	2,695,122	2,285,000
Unamortized bond premium	-	-	29,571
	<u>-</u>	<u>2,695,122</u>	<u>2,314,571</u>
Net investment in capital assets	<u><u>\$ 22,640,722</u></u>	<u><u>\$ 30,066,881</u></u>	<u><u>\$ 16,687,502</u></u>

TOWNSHIP OF SCIO, MICHIGAN

Notes To Financial Statements

14. SUBSEQUENT EVENTS

Subsequent to year end, the Township Board approved a number of contracts, including approximately \$245,000 for the Township Hall Park pathway and an amount not to exceed \$219,000 for construction engineering services for the second fire station.

In addition, the Township has approved the dissolution of the Downtown Development Authority (DDA) component unit. Any cash and investments held by the DDA will be transferred to the Township Treasurer and will be deposited into a segregated account until any liabilities of the DDA are paid. The Township will then revert any remaining surplus funds proportionately to the respective taxing bodies that were subject to the tax increment financing capture.



REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF SCIO, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Changes in the Township's Net Pension Liability and Related Ratios

	Year Ended March 31,			
	2025	2024	2023	2022
Total pension liability				
Service cost	\$ 97,846	\$ 113,173	\$ 112,671	\$ 97,041
Interest	468,484	446,175	413,561	377,508
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	280,424	11,442	130,041	196,855
Changes in assumptions	31,933	52,068	-	226,940
Benefit payments, including refunds of employee contributions	(279,131)	(209,795)	(203,588)	(134,575)
Net change in total pension liability	<u>599,556</u>	<u>413,063</u>	<u>452,685</u>	<u>763,769</u>
Total pension liability, beginning of year	<u>6,615,496</u>	<u>6,202,433</u>	<u>5,749,748</u>	<u>4,985,979</u>
Total pension liability, end of year	<u>7,215,052</u>	<u>6,615,496</u>	<u>6,202,433</u>	<u>5,749,748</u>
Plan fiduciary net position				
Employer contributions	239,910	210,420	190,194	152,499
Employee contributions	17,330	17,231	16,821	20,588
Net investment income (loss)	353,888	483,664	(522,700)	567,320
Benefit payments, including refunds of employee contributions	(279,131)	(209,795)	(203,588)	(134,575)
Administrative expense	(10,522)	(10,022)	(8,752)	(6,706)
Net change in plan fiduciary net position	<u>321,475</u>	<u>491,498</u>	<u>(528,025)</u>	<u>599,126</u>
Plan fiduciary net position, beginning of year	<u>4,706,082</u>	<u>4,214,584</u>	<u>4,742,609</u>	<u>4,143,483</u>
Plan fiduciary net position, end of year	<u>5,027,557</u>	<u>4,706,082</u>	<u>4,214,584</u>	<u>4,742,609</u>
Township's net pension liability	<u>\$ 2,187,495</u>	<u>\$ 1,909,414</u>	<u>\$ 1,987,849</u>	<u>\$ 1,007,139</u>
Plan fiduciary net position as a percentage of total pension liability	69.7%	71.1%	68.0%	82.5%
Covered payroll	\$ 1,032,279	\$ 1,234,961	\$ 1,234,889	\$ 1,226,893
Township's net pension liability as a percentage of covered payroll	211.9%	154.6%	161.0%	82.1%

See notes to required supplementary information.

Year Ended March 31,					
2021	2020	2019	2018	2017	2016
\$ 102,208	\$ 103,174	\$ 115,683	\$ 110,220	\$ 105,564	\$ 86,870
328,391	303,859	286,297	250,562	232,738	207,927
-	-	5,065	(4,856)	15,021	(14,402)
195,103	68,900	(143,490)	125,799	(95,097)	(10,921)
126,698	102,370	-	-	-	149,019
(72,497)	(37,766)	(37,766)	(37,767)	(37,766)	(40,118)
679,903	540,537	225,789	443,958	220,460	378,375
4,306,076	3,765,539	3,539,750	3,095,792	2,875,332	2,496,957
4,985,979	4,306,076	3,765,539	3,539,750	3,095,792	2,875,332
141,194	171,666	123,561	228,687	110,862	104,248
20,557	21,054	20,976	51,858	17,669	14,638
527,332	414,724	(123,721)	345,694	244,417	(32,319)
(72,497)	(37,766)	(37,766)	(37,767)	(37,766)	(40,118)
(7,282)	(7,148)	(5,958)	(5,439)	(4,817)	(4,600)
609,304	562,530	(22,908)	583,033	330,365	41,849
3,534,179	2,971,649	2,994,557	2,411,524	2,081,159	2,039,310
4,143,483	3,534,179	2,971,649	2,994,557	2,411,524	2,081,159
\$ 842,496	\$ 771,897	\$ 793,890	\$ 545,193	\$ 684,268	\$ 794,173
83.1%	82.1%	78.9%	84.6%	77.9%	72.4%
\$ 1,439,738	\$ 1,401,630	\$ 1,498,568	\$ 1,498,568	\$ 1,499,212	\$ 1,429,665
58.5%	55.1%	53.0%	36.4%	45.6%	55.5%

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TOWNSHIP OF SCIO, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan Schedule of Contributions

Fiscal Year Ending March 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2025	\$ 248,760	\$ 248,760	\$ -	\$ 1,794,368	13.9%
2024	213,360	213,360	-	1,277,999	16.7%
2023	201,600	201,600	-	1,284,823	15.7%
2022	155,976	155,976	-	1,339,666	11.6%
2021	142,068	142,068	-	1,467,210	9.7%
2020	171,666	171,666	-	1,401,630	12.2%
2019	124,080	124,080	-	1,498,568	8.3%
2018	119,806	229,198	109,392	1,499,212	15.3%
2017	128,709	128,709	-	1,429,665	9.0%
2016	118,886	118,886	-	1,419,544	8.4%

See notes to required supplementary information.

TOWNSHIP OF SCIO, MICHIGAN

Required Supplementary Information

Single-Employer Defined Benefit Other Postemployment Benefits Plan

Schedule of Changes in the Township's Net Other Postemployment Benefits Liability and Related Ratios

	Year Ended March 31,			
	2025	2024	2023	2022
Total other postemployment benefits liability				
Service cost	\$ -	\$ -	\$ 42,698	\$ 45,721
Interest	20,254	15,622	33,290	27,833
Changes in benefit terms	-	-	(856,468)	-
Difference between expected and actual experience	(10,362)	-	192,008	5,851
Changes in assumptions	(2,498)	(70,191)	(133,901)	(109,481)
Benefit payments, including refunds of employee contributions	(21,733)	(20,220)	(18,427)	(18,040)
Net change in total other postemployment benefits liability	(14,339)	(74,789)	(740,800)	(48,116)
Total other postemployment benefits liability, beginning of year	348,591	423,380	1,164,180	1,212,296
Total other postemployment benefits liability, end of year	334,252	348,591	423,380	1,164,180
Plan fiduciary net position				
Employer contributions	21,733	220,724	18,427	18,040
Net investment income	11,213	21,321	-	-
Benefit payments, including refunds of employee contributions	(21,733)	(20,220)	(18,427)	(18,040)
Net change in plan fiduciary net position	11,213	221,825	-	-
Plan fiduciary net position, beginning of year	221,825	-	-	-
Plan fiduciary net position, end of year	233,038	221,825	-	-
Township's net other postemployment benefits liability	\$ 101,214	\$ 126,766	\$ 423,380	\$ 1,164,180
Plan fiduciary net position as a percentage of total other postemployment benefits liability	69.7%	63.6%	0.0%	0.0%
Covered payroll	N/A	N/A	N/A	N/A
Township's net other postemployment benefits liability as a percentage of covered payroll	N/A	N/A	N/A	N/A

See notes to required supplementary information.



Year Ended March 31,		
2021	2020	2019
\$ 39,760	\$ 30,227	\$ 26,065
26,028	29,519	27,472
-	-	-
(38,893)	-	36,304
162,727	134,783	23,461
<u>(13,905)</u>	<u>(11,947)</u>	<u>(14,512)</u>
175,717	182,582	98,790
<u>1,036,579</u>	<u>853,997</u>	<u>755,207</u>
<u>1,212,296</u>	<u>1,036,579</u>	<u>853,997</u>
13,905	11,947	14,512
-	-	-
<u>(13,905)</u>	<u>(11,947)</u>	<u>(14,512)</u>
-	-	-
-	-	-
<u>\$ 1,212,296</u>	<u>\$ 1,036,579</u>	<u>\$ 853,997</u>

0.0% 0.0% 0.0%

N/A N/A N/A

N/A N/A N/A

TOWNSHIP OF SCIO, MICHIGAN

Required Supplementary Information

Single-Employer Defined Benefit Other Postemployment Benefits Plan
Schedule of Contributions

Fiscal Year Ending March 31,	Actuarially Determined Contribution *	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2025	\$ 45,984	\$ 21,733	\$ 24,251	N/A	N/A
2024	45,984	220,724	(174,740)	N/A	N/A
2023	103,046	18,427	84,619	N/A	N/A
2022	101,955	18,040	83,915	N/A	N/A
2021	-	13,905	N/A	N/A	N/A
2020	-	11,947	N/A	N/A	N/A
2019	-	14,512	N/A	N/A	N/A

* The actuarial determined contribution was not calculated prior to the fiscal year ending March 31, 2022.

See notes to required supplementary information.

TOWNSHIP OF SCIO, MICHIGAN

Notes to Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Notes to Schedule of Changes in the Township's Net Pension Liability and Related Ratios

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Changes in Assumptions. In 2016, amounts reported as changes in assumptions resulted primarily from adjustments to the mortality table to reflect longer lifetimes, decreases in the assumed rate of return, and changes in asset smoothing.

In 2020, amounts reported as changes in assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

In 2021, amounts reported as changes in assumptions related to updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

In 2022, amounts reported as changes in assumptions resulted from a decrease in the assumed rate of return from 7.35% to 7.00%.

In 2024, amounts reported as changes in assumptions resulted from a decrease in the assumed rate of return from 7.00% to 6.93%.

In 2025, amounts reported as changes in assumptions related to updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, and termination rates.

TOWNSHIP OF SCIO, MICHIGAN

Notes to Required Supplementary Information

Notes to Schedule of Contributions

Valuation date Actuarially determined contribution rates are calculated as of the December 31 that is 15 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (2025, based on the 12/31/2022 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	16 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	6.93%, net of investment and administrative expense including inflation
Retirement Age	Age 60
Mortality rates	<ul style="list-style-type: none">• Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120• Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120• Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

TOWNSHIP OF SCIO, MICHIGAN

Notes to Required Supplementary Information

Single-Employer Defined Benefit Other Postemployment Benefits Plan

Notes to Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios

GASB 74 was implemented in fiscal year 2019. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Changes in assumptions In 2024, the discount rate was increased from 3.78% to 6.00%. In 2023, the discount rate was increased from 2.83% to 3.78%. In 2022, the discount rate was increased from 2.27% to 2.83%. In 2021, the mortality table assumption was changed from the RP- 2014 Mortality Tables to the Pub-2010 Mortality Tables, and the discount rate was decreased from 2.48% to 2.27%. In 2020, the discount rate was decreased from 3.42% to 2.48%.

In 2025, the assumption for mortality improvement changed from the MP-2019 tables to the MP-2021 tables.

Changes in benefit terms There were benefit changes in 2023 whereby, effective March 31, 2023, the plan is closed to any participant who was not retired as of March 31, 2023.

TOWNSHIP OF SCIO, MICHIGAN

Notes to Required Supplementary Information

Notes to Schedule of Contributions

Valuation Date March 31, 2023

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Closed, level dollar
Remaining amortization period	9 years
Asset valuation method	Market value
Inflation	2.50%
Salary increases	N/A
Investment rate of return	6.00%
Healthcare cost trend	2.50%
Normal retirement age	N/A
Mortality	

Healthy Post-Retirement Mortality: Sex distinct Pub-2010 General Healthy Retiree tables scaled by a factor of 106%. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries.

Disability Retirement Mortality: Sex distinct PubNS-2010 Disabled tables without adjustment. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries.

Healthy Pre-Retirement Mortality: Sex distinct Pub-2010 General Employees table without adjustment. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries. Ninety percent (90%) of active member deaths are assumed to be non-duty deaths and ten percent (10%) of the deaths are assumed to be duty related.

COMBINING FUND FINANCIAL STATEMENTS

TOWNSHIP OF SCIO, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

March 31, 2025

	Special Revenue Funds		
	Public Improvement	Tree Mitigation	Public Transit
Assets			
Cash and cash equivalents	\$ -	\$ 61,036	\$ 836,345
Investments	451,098	179,555	-
Accounts receivable	-	171,000	-
Taxes receivable	-	-	27,488
Due from other governments	-	-	26,111
Total assets	<u>\$ 451,098</u>	<u>\$ 411,591</u>	<u>\$ 889,944</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ 56,956
Due to other funds	63,215	-	-
Total liabilities	<u>63,215</u>	<u>-</u>	<u>56,956</u>
Deferred inflows of resources			
Unavailable revenue	-	171,000	9,249
Fund balances			
Restricted:			
Metro act	122,082	-	-
Public improvement	265,801	-	-
Tree mitigation	-	240,591	-
Bus	-	-	823,739
Committed - capital improvements	-	-	-
Total fund balances	<u>387,883</u>	<u>240,591</u>	<u>823,739</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 451,098</u>	<u>\$ 411,591</u>	<u>\$ 889,944</u>



Capital Project Funds		
East Delhi Bridge Maintenance	Fire Station Renovation	Totals
\$ 6,017	\$ -	\$ 903,398
-	-	630,653
-	-	171,000
-	-	27,488
-	-	26,111
<u>\$ 6,017</u>	<u>\$ -</u>	<u>\$ 1,758,650</u>
\$ -	\$ -	\$ 56,956
-	-	63,215
-	-	120,171
-	-	180,249
-	-	122,082
-	-	265,801
-	-	240,591
-	-	823,739
6,017	-	6,017
<u>6,017</u>	<u>-</u>	<u>1,458,230</u>
<u>\$ 6,017</u>	<u>\$ -</u>	<u>\$ 1,758,650</u>

TOWNSHIP OF SCIO, MICHIGAN

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended March 31, 2025

	Special Revenue Funds		
	Public Improvement	Tree Mitigation	Public Transit
Revenues			
Property taxes	\$ -	\$ -	\$ 554,184
Intergovernmental	-	-	6,625
Investment income	18,257	8,176	11,525
Other	16,489	-	-
Total revenues	34,746	8,176	572,334
Expenditures			
Current -			
General government	53,468	272	701,565
Revenues over (under) expenditures	(18,722)	7,904	(129,231)
Other financing uses			
Transfers out	-	-	-
Net change in fund balances	(18,722)	7,904	(129,231)
Fund balances, beginning of year	406,605	232,687	952,970
Fund balances, end of year	\$ 387,883	\$ 240,591	\$ 823,739



Capital Project Funds		
East Delhi Bridge Maintenance	Fire Station Renovation	Totals
\$ -	\$ -	\$ 554,184
-	-	6,625
210	907	39,075
-	-	16,489
<hr/>		
210	907	616,373
-	-	755,305
<hr/>		
210	907	(138,932)
-	(59,793)	(59,793)
<hr/>		
210	(58,886)	(198,725)
5,807	58,886	1,656,955
<hr/>		
\$ 6,017	\$ -	\$ 1,458,230
<hr/> <hr/>		

TOWNSHIP OF SCIO, MICHIGAN

Combining Statement of Fiduciary Net Position

Custodial Funds

March 31, 2025

	Current Tax Collection	Delinquent Tax Collection	Totals
Assets			
Cash and cash equivalents	\$ 1,956,702	\$ 181,573	\$ 2,138,275
Liabilities			
Due to other governments	<u>1,956,702</u>	<u>181,573</u>	<u>2,138,275</u>
Net position			
Restricted for individuals, organizations, and other governments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWNSHIP OF SCIO, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position

Custodial Funds

For the Year Ended March 31, 2025

	Current Tax Collection	Delinquent Tax Collection	Totals
Additions			
Taxes collected for other governments	\$ 63,698,149	\$ 103,334	\$ 63,801,483
Deductions			
Payment of property taxes to other governments	<u>63,698,149</u>	<u>103,334</u>	<u>63,801,483</u>
Change in net position	-	-	-
Net position, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net position, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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INTERNAL CONTROL AND COMPLIANCE

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

August 21, 2025

Board of Trustees
Township of Scio
Ann Arbor, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **Township of Scio, Michigan** (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, and have issued our report thereon dated August 21, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2025-001, -002, and -003 that we consider to be significant deficiencies.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Township of Scio, Michigan's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Township's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

TOWNSHIP OF SCIO, MICHIGAN

Schedule of Findings and Responses

For the Year Ended March 31, 2025

2025-001 – Segregation of Duties (Repeat)

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for establishing effective internal controls to safeguard the Township's assets, and to prevent or detect misstatements to the financial statements. A key element of internal control is the segregation of incompatible duties within the accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction.

Condition. The Township's internal controls over a certain accounting function have not been operating as designed, and segregation of duties has not been achieved. Specifically, numerous utility billing adjustments were made during the year with no controls in place to review and approve the adjustments. In addition, utilities receivable accounts include balances that will not be collected due to certain balances belonging to inactive accounts.

Cause. This condition was caused by a lack of oversight and review within the Township.

Effect. As a result of this condition, the Township is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely manner.

Recommendation. We recommend that the Township implement policies and procedures to address the above areas of concern attributed to the internal controls over the Township's accounting functions. We further recommend that segregation of duties be maintained wherever possible, and that independent reviews and approvals take place timely, and be evidenced in writing.

View of Responsible Officials. The sample selected by auditors was from early in the fiscal year, prior to the Township instituting procedures to address this risk of misstatement or misappropriation. Beginning in August 2024, our Finance Assistant was hired and began creating better documentation about the support for any utility billing adjustments. After identifying the utility billing adjustment necessary, or having such an adjustment identified by the Utilities Director, the Finance Assistant prints the utility billing history report and writes by hand the reason the adjustment was made. These reports are kept in a three-ring binder.

In January 2025, the Clerk instituted additional internal controls by ensuring that after the Finance Assistant prepared these utility billing adjustments and underlying reason, that the Clerk and Treasurer personally sign off on these adjustments. This step allows for timely independent review and approvals, evidenced in writing, of the amount and reason for the adjustment.

TOWNSHIP OF SCIO, MICHIGAN

Schedule of Findings and Responses

For the Year Ended March 31, 2025

The inactive account balances identified in utility billing are from years ago, and our team has reviewed this situation internally to understand the problem. Prior to December 2024, the Township did not consistently comply with the requirement that the Township roll outstanding utility liabilities to the tax bill. And so, when the Finance Assistant and Treasurer began complying with this requirement in December 2024, by default, only the active accounts were rolled to tax rolls. To resolve this issue, beginning with the December 2025 tax roll, the Finance Assistant and Treasurer plan to roll all active and inactive account balances to property taxes to avoid these accounts from having a long outstanding balance.

While the Township does not yet have a formal policy outlining these procedures above, the Clerk, Treasurer, and Finance Assistant plan to develop such a policy for Board of Trustees consideration by not later than March 2026.

Responsible Official. Clerk and Treasurer

Estimated Completion Date. March 2026

TOWNSHIP OF SCIO, MICHIGAN

Schedule of Findings and Responses

For the Year Ended March 31, 2025

2025-002 – Significant Audit Adjustment

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. A significant adjustment to governmental activities capital assets was necessary to properly record the disposal of land.

Cause. Internal controls did not detect all of the necessary capital asset disposals.

Effect. As a result of this condition, the Township's accounting records were initially misstated by approximately \$114,000 for governmental activities.

Recommendation. Management has already taken appropriate corrective action by reviewing and approving the adjustment.

View of Responsible Officials. Agree with this recommendation and approved this adjustment. For a few years, the Township's practice has been that the day after each Township Board meeting, for any item with a financial impact, the Clerk provides any approved motion to the person responsible for the item to move the item forward in the Township's internal workflow. In this fiscal year, the Township sold a property, making such approval at the Board table and sale final subsequently via purchase agreement delegated to a staff person for signature. The disposal never came to the Finance Manager for entry into the accounting records, and the Finance Director did not identify the missing disposal at year end close, resulting in the year end misstatement.

In May 2025, the Township adopted its first Capital Assets and Controlled Assets Disposal Policy, which makes clear that the Finance Director should be involved in such disposals and is the record keeper of all support documentation. Beginning September 2025, prior to or immediately after Board meetings, the Clerk will flag for the Finance Manager all Board items with significant or irregular accounting impacts. And, at the end of each quarter, The Finance Director or Finance Manager will review the meeting minutes to detect any previously missed items having an effect on the accounting records.

Responsible Official. Clerk

Estimated Completion Date. September 2025

TOWNSHIP OF SCIO, MICHIGAN

Schedule of Findings and Responses

For the Year Ended March 31, 2025

2025-003 – Unsupported Liability Balances (Repeat)

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. The Township is required to keep accurate subsidiary records of the amounts held in each liability account. These accounts should be analyzed and reconciled on a regular basis (e.g. monthly or quarterly).

Condition. The Township is unable to support the year end balance for certain immaterial liability accounts.

Cause. This condition was caused by the absence of a standard procedure for reconciling accounts to their subsidiary detail on a timely basis resulting in balances rolling forward from year to year.

Effect. As a result of this condition, the Township is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely manner.

Recommendation. We recommend that the Township reconcile all balance sheet accounts and follow-up on any variances in a timely manner.

View of Responsible Officials. Agree with this recommendation. The Township will continue to use the integrated ERP software, BS&A, as the record of accounts for the Township. Prior to November 2024, the Township had not integrated the BS&A modules for Delinquent Personal Property and Cash Receipting. These modules have since been integrated, and the associated liabilities have been corrected.

The Clerk and Treasurer will implement monthly reconciliation of account balances of liability accounts. As the Township continues to develop its financial management capacity, we are able to implement more regular and detailed accounting. A more robust monthly reconciliation of liability accounts is one area in need of improvement. We plan to develop a written policy for month end reconciliation of Township accounts, and propose it the Board of Trustees by not later than March 2026.

Responsible Official. Clerk and Treasurer

Estimated Completion Date. March 2026



INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

August 21, 2025

Board of Trustees
Township of Scio
Ann Arbor, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***Township of Scio, Michigan*** (the "Township"), as of and for the year ended March 31, 2025, and have issued our report thereon dated August 21, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated March 17, 2025, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Township solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated August 21, 2025. In addition, we noted certain other matters which are included in Attachment A to this letter.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Township's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Township is included in Note 1 to the financial statements.

The Township changed accounting policies related to the liability for compensated absences by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 101, *Compensated Absences*.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- The assumptions used in the actuarial valuations of the other postemployment benefits plan are based on historical trends and industry standards.

In addition, the financial statements include a net pension liability and other related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards but are not within the control of management.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The significant misstatement detected as a result of audit procedures and corrected by management is described in the Schedule of Findings and Responses issued in connection with our report on internal control over financial reporting.

The schedule of adjustments passed is included with management's written representations in Attachment C to this letter, and summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Township's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment C to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Township's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the **Township of Scio, Michigan** and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

TOWNSHIP OF SCIO, MICHIGAN

Attachment A - Comments and Recommendations

For the March 31, 2025 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding these matters. Our consideration of the Township's internal control over financial reporting is described in our report, dated August 21, 2025, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated August 21, 2025, on the financial statements of the *Township of Scio, Michigan*.

Lack of Procedures to Review User Access on a Periodic Basis (repeat)

Based on discussions with management, it was noted that there is no defined process in place to periodically review user accounts and access entitlements for the financial applications. Additionally, a complete list of users, along with their assigned roles and access rights, has not been obtained or reviewed to assess whether access levels are appropriate.

Lack of Manual Call-Back Procedures for Wire Transfer and Vendor Master File Change Requests (repeat)

Per inquiry with management, there are no manual call back procedures in place to independently verify requests for wire transfers (including amount and bank details) or changes to vendor master data (i.e., bank details, shipping locations, etc.) when requests for these items are received via email. The risk is that emails can easily be intercepted and spoofed to send fake/fraudulent requests to change bank details or submit fraudulent wire requests, ultimately leading to the inappropriate disbursement of funds. Management should implement a process to manually call the wire requestor/approver and/or vendor requesting the change to verify the accuracy and validity of the disbursement/changes requested. The verification process should utilize a known contact number that is independently obtained from documentation not included in the original request received.

Lack of Procedures to Document and Perform a Test of Backups on a Periodic Basis (repeat)

Per inquiry with management, there is not a defined process to test the viability of backups on at least an annual basis. If backups are not tested a risk exists that they will not be fit for use if an emergency arises.

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TOWNSHIP OF SCIO, MICHIGAN

Attachment B – Upcoming Changes in Accounting Standards / Regulations

For the March 31, 2025 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Township in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the Township. For the complete text of these and other GASB standards, visit www.gasb.org and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 102 ■ Certain Risk Disclosures

Effective 06/15/2025 (your FY 2026)

This standard requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints.

GASB 103 ■ Financial Reporting Model Improvements

Effective 06/15/2026 (your FY 2027)

This standard establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following: a. management’s discussion and analysis (MD&A), b. unusual or infrequent items, c. presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, d. information about major component units in basic financial statements, e. budgetary comparison information, and f. financial trends information in the statistical section.

GASB 104 ■ Disclosure of Certain Capital Assets

Effective 06/15/2026 (your FY 2027)

This standard requires certain types of capital assets to be disclosed separately in the capital assets note disclosures, requires certain intangible assets to be disclosed separately by major class, and requires additional disclosures for capital assets held for sale.



TOWNSHIP OF SCIO, MICHIGAN

Attachment C – Management Representations

For the March 31, 2025 Audit

Following are the written representations that we requested from management.

*Jillian Kerry, Supervisor
Jessica Flintoft, Clerk
Ryan Yaple, Treasurer*

Township of Scio

*Trustees: Kathleen Brant
Kathleen Knol
David Read
John Reiser*

August 21, 2025

Rehmann Robson
675 Robinson Road
Jackson, MI 49203

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **Township of Scio, Michigan** (the "Township"), as of and for the year ended March 31, 2025, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the respective budgetary comparison for the general fund and each major special revenue fund of the Township in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of August 21, 2025:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 17, 2025, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP, and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.

*Jillian Kerry, Supervisor
Jessica Flintoft, Clerk
Ryan Yaple, Treasurer*

Township of Scio

*Trustees: Kathleen Brant
Kathleen Knol
David Read
John Reiser*

4. With respect to the nonattest services provided, which include any assistance you provided in drafting the financial statements and related notes, and proposing standard, adjusting or conversion journal entries, we have performed the following:
 - a. Made all management decisions and performed all management functions;
 - b. Assigned a competent individual to oversee the services;
 - c. Evaluated the adequacy of the services performed;
 - d. Evaluated and accepted responsibility for the result of the service performed; and
 - e. Established and maintained internal controls, including monitoring ongoing activities.
5. We acknowledge our responsibility 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.
6. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
7. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
9. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
10. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
11. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
12. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
13. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
14. All funds and activities are properly classified.

*Jillian Kerry, Supervisor
Jessica Flintoft, Clerk
Ryan Yaple, Treasurer*

Township of Scio

*Trustees: Kathleen Brant
Kathleen Knol
David Read
John Reiser*

15. All funds that meet the quantitative GASB criteria for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
16. All components of net position and fund balance classifications have been properly reported.
17. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
18. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
19. All interfund and intra-entity transactions and balances have been properly classified and reported.
20. Deposit and investment risks have been properly and fully disclosed.
21. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
22. All required supplementary information is measured and presented within the prescribed guidelines.
23. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
24. We are responsible for the fair presentation of the Township's net pension liability as calculated by the Municipal Employees' Retirement System of Michigan (MERS) and related amounts. We provided MERS with complete and accurate information regarding the Township's participation in the plan, and have reviewed the information provided by MERS for inclusion in the Township's financial statements.
25. There were no omissions from the participants' data provided to the single-employer OPEB Plan's actuary for the purpose of determining the actuarial present value of the Plan's benefit obligations and the other actuarially determined amounts in the financial statements.
26. The single-employer OPEB Plan's administrator agrees with the actuarial methods and assumptions and methods used by the actuary for funding purposes and for determining the Plan's benefit obligations and has no knowledge or belief that such methods or assumptions are inappropriate in the circumstances. We did not give any, nor cause any, instructions to be given to the Plan's actuary with respect to the values of amounts derived, and we are not aware of any matters that have impacted the independence or objectivity of the Plan's actuary.
27. The following have been properly recorded and disclosed in the financial statements:
 - a. The actuarial methods or assumptions used in calculating amounts recorded or disclosures in the financial statements.

*Jillian Kerry, Supervisor
Jessica Flintoft, Clerk
Ryan Yaple, Treasurer*

Township of Scio

*Trustees: Kathleen Brant
Kathleen Knol
David Read
John Reiser*

- b. Changes in the single-employer OPEB Plan's provisions between the actuarial valuation date and the date of this letter.
- 28. All required filings of the single-employer OPEB Plan's documents with the appropriate agencies have been made.
- 29. The single-employer OPEB Plan (and the trust established by the Plan) is qualified under the appropriate section of the internal revenue code and we intend to continue as a qualified plan (and trust). The Plan sponsor has operated the Plan in a manner that did not jeopardize this tax status.
- 30. The single-employer OPEB Plan has complied with the Department of Labor's regulations concerning the timely remittance of participants' contributions to trusts containing assets of the Plan.
- 31. The single-employer OPEB Plan's management has obtained and reviewed the relevant service auditor's SOC-1 reports and management is performing the applicable user control.

Information Provided

- 32. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 33. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 34. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 35. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
- 36. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.

Township of Scio

37. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
38. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
39. We have a process to track the status of audit findings and recommendations.
40. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
41. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
42. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
43. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
44. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
45. The Township has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
46. We have disclosed to you all guarantees, whether written or oral, under which the Township is contingently liable.
47. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
48. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.

Township of Scio

49. The Township has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
50. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
51. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

52. With respect to the supplementary information accompanying the financial statements:
 - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

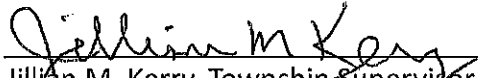
53. With respect to the required supplementary information accompanying the financial statements:
 - a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.

*Jillian Kerry, Supervisor
Jessica Flintoft, Clerk
Ryan Yapple, Treasurer*

Township of Scio

*Trustees: Kathleen Brant
Kathleen Knol
David Read
John Reiser*

- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.



Jillian M. Kerry, Township Supervisor



Jessica M. Flintoft, Township Clerk

TOWNSHIP OF SCIO, MICHIGAN

Schedule of Adjustments Passed (SOAP)

For the March 31, 2025 Audit

In accordance with generally accepted auditing standards, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. We are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement				
	Assets	Liabilities	Beginning Equity	Revenues	Expenses/ Expenditures
General fund					
Unrecorded lease receivable and deferred inflow related to sign location	\$ (168,868)	\$ (168,868)	\$ -	\$ -	\$ -
Governmental activities					
Cumulative effect of items noted above	\$ (168,868)	\$ (168,868)	\$ -	\$ -	\$ -
Unrecorded SBITA asset/liability	(43,381)	(36,849)	-	-	6,532
Total governmental activities	\$ (212,249)	\$ (205,717)	\$ -	\$ -	\$ 6,532
Misstatement as a percentage of total assets and deferred outflows - governmental activities					
	-0.47%	-0.46%	0.00%	0.00%	0.01%
Water fund / Business-type activities					
Unrecorded lease receivable and deferred inflow related to water tower	\$ (58,151)	\$ (58,151)	\$ -	\$ -	\$ -
Misstatement as a percentage of total assets and deferred outflows - business-type activities					
	-0.10%	-0.10%	0.00%	0.00%	0.00%