



**COUNTY OF OTTAWA, MICHIGAN  
FINANCIAL STATEMENTS**

***FOR THE YEAR ENDED DECEMBER 31, 2019***



Vredeveld Haefner LLC  
CPAs and Consultants

# Georgetown Charter Township

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### INDEPENDENT AUDITORS' REPORT

May 11, 2020

Township Board  
Georgetown Charter Township  
Jenison, Michigan

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Georgetown Charter Township (the Township), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the budgetary comparison information on pages 33 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other 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 individual fund financial schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The individual fund financial schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 individual fund financial schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Wendell Haefner LLC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the Georgetown Charter 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 December 31, 2019. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- Property tax revenues increased 6%. Resulting in \$284,190 in additional tax revenues. Property values increased 7.7% during 2019 and the millage rate remained the same at 2.75 mills.
- Revenue sharing from sales tax was at 4.15 million. The amount is an increase from the 2018 collection of 3.98 million. The Township also received statutory revenue sharing of \$164,240 an increase from \$162,444 in 2018.
- Completed construction of the library building (landscaping and parking lot to be completed in 2020)

### Overview of the Financial Statements

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

**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 and liabilities, with the difference between the two 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., earned but unused compensated absences, accrued interest, etc.).

Both of the government-wide financial statements distinguish functions of Georgetown Charter 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, community and economic development, and recreation and culture activities. The business-type activities of the Township include the water and sewer systems.

**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. Georgetown Charter Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of *spendable resources* available at the end of the fiscal year. Such information may be useful in 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 funds balance sheet and the governmental funds 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 two 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 which is considered a major fund.

The Township adopts an annual appropriated budget for its general and permanent funds. Budgetary comparison schedules have been provided herein to demonstrate compliance with those budgets.

**Proprietary funds.** The Township maintains one type of proprietary fund (enterprise funds). *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund, which is considered to be a major fund 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 statement 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* which consists of this management discussion and analysis and major fund budgetary schedules.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Georgetown Charter Township, assets exceeded liabilities by \$98,793,325 at the close of the most recent fiscal year. A summary of net position is as follows:

	<b>Net Position</b>					
	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$16,436,519	\$21,028,864	\$ 9,479,023	\$ 8,351,640	\$ 25,915,542	\$ 29,380,504
Capital assets	34,879,447	27,920,718	44,853,806	45,538,234	79,733,253	73,458,952
Total assets	<u>51,315,966</u>	<u>48,949,582</u>	<u>54,332,829</u>	<u>53,889,874</u>	<u>105,648,795</u>	<u>102,839,456</u>
Current liabilities	998,065	1,224,354	873,958	1,687,754	1,872,023	2,912,108
Deferred inflows of resources	4,983,447	4,698,048	-	-	4,983,447	4,698,048
Net position:						
Invested in capital assets	34,879,447	27,920,718	44,853,806	45,538,234	79,733,253	73,458,952
Restricted	1,508,657	1,324,585	-	-	1,508,657	1,324,585
Unrestricted	8,946,350	13,781,877	8,605,065	6,663,886	17,551,415	20,445,763
Total net position	<u>\$45,334,454</u>	<u>\$43,027,180</u>	<u>\$53,458,871</u>	<u>\$52,202,120</u>	<u>\$98,793,325</u>	<u>\$95,229,300</u>

By far the largest portion of the Township's net position (80.7%) reflects the net investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure less any related debt used to acquire those assets that is still outstanding). The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Unrestricted net position (17.8%) reflects net position available for future operations.

The government's net position increased by \$3,564,025 during the current fiscal year.

### Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue:						
Program revenue:						
Charges for services	\$1,502,906	\$ 1,797,610	\$ 9,111,470	\$ 9,576,405	\$10,614,376	\$11,374,015
Operating grants and contributions	49,004	-	-	-	49,004	-
Capital grants and contributions	88,404	178,960	946,864	2,466,119	1,035,268	2,645,079
General revenue:						
Property taxes	4,735,442	4,475,554	-	-	4,735,442	4,475,554
State sources	4,355,170	4,226,310	-	-	4,355,170	4,226,310
Other	390,138	1,761,999	143,491	98,681	533,629	1,860,680
Total revenue	11,121,064	12,440,433	10,201,825	12,141,205	21,322,889	24,581,638
Expenses:						
General government	1,082,802	1,236,358	-	-	1,082,802	1,236,358
Public safety	3,591,879	3,743,230	-	-	3,591,879	3,743,230
Public works	898,701	1,020,535	-	-	898,701	1,020,535
Community and economic development	9,943	14,107	-	-	9,943	14,107
Recreation and culture	3,297,340	7,906,627	-	-	3,297,340	7,906,627
Water and sewer	-	-	8,945,074	9,147,083	8,945,074	9,147,083
Total expenses	8,880,665	13,920,857	8,945,074	9,147,083	17,825,739	23,067,940
Change before contributions	2,240,399	(1,480,424)	1,256,751	2,994,122	3,497,150	1,513,698
Contributions to permanent fund	66,875	65,900	-	-	66,875	65,900
Change in net position	2,307,274	(1,414,524)	1,256,751	2,994,122	3,564,025	1,579,598
Net position - beginning of year	43,027,180	44,441,704	52,202,120	49,207,998	95,229,300	93,649,702
Net position - end of year	\$45,334,454	\$43,027,180	\$53,458,871	\$52,202,120	\$98,793,325	\$95,229,300

**Governmental Activities.** The preceding table shows that the governmental activities increased the Township's net position by \$2,307,274 during this fiscal year. The increase is primarily the result of increased taxable values and state revenue sharing. During the year the Township invested \$3,591,879 or 40.4% of governmental activities expenses in public safety. Recreation and culture expenses amounted to \$3,297,340 or 37.1% of governmental activities while general government, public works, and community and economic development made up the remaining 22.5% of governmental activities expenses.

**Business-type Activities.** Business-type activities increased the Township's net position by \$1,256,751 during the year. This increase is primarily the result of connection charge revenues and rates.

## Financial Analysis of the Government'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 \$10,521,244, a decrease of \$4,656,265 in comparison with the prior year.

The general fund is the chief operating fund of the Township. The general fund reports total fund balance of \$9,012,587 at the end of the current fiscal year. Unassigned fund balance of the general fund was \$8,850,591. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unassigned fund balance represents 118% of total general fund expenditures. The fund balance of the Township's general fund decreased by \$4,840,337 during the current fiscal year primarily due to construction projects.

**Proprietary funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and sewer fund at the end of the year amounted to \$8,605,065. The water and sewer fund had an increase in net position for the year of \$1,256,751.

## Capital Asset and Debt Administration

**Capital assets.** The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2019 amounted to \$79,733,253 (net of accumulated depreciation).

The Township's capital assets (net of depreciation) are summarized as follows:

### Georgetown Charter Township's Capital Assets (net of depreciation)

	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>
Land	\$ 4,103,984	\$ 299,588	\$ 4,403,572
Construction in progress	10,639,359	-	10,639,359
Buildings and improvements	5,151,105	96,274	5,247,379
Land improvements	4,316,484	-	4,316,484
Machinery and equipment	367,902	-	367,902
Furniture and equipment	101,125	-	101,125
Vehicles	1,266,200	243,406	1,509,606
Infrastructure	8,933,288	-	8,933,288
Water systems	-	15,964,828	15,964,828
Sewer systems	-	28,249,710	28,249,710
<b>Total</b>	<b>\$34,879,447</b>	<b>\$44,853,806</b>	<b>\$79,733,253</b>

Additional information on the Township's capital assets can be found in the footnotes to the financial statements.

**Debt.** At the end of the current fiscal year, the Township had no debt outstanding.

## **Budgetary Highlights**

- Library building project is tracking under budget
- Baldwin Street entrance and Cottonwood intersection projects, with contractor costs of \$752,480 plus lighting, design fees, and construction management, were started in 2019 and will be completed in 2020.
- The Township completed \$1.34 million in road and drain improvements in 2019.

## **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Township's budget for the 2020 fiscal year:

- Property values are increasing; however, it will take years to replace lost potential revenues. While taxable values can drop at any rate they cannot increase beyond the lower of inflation or 5%.
- The Township approved two new fire engines, which will allow for the removal of two 30-year-old units, for a total purchase price of approximately \$1.4 million.
- The Township is participating with Ottawa County to build a trail along the Grand River. Portions of the trail were completed in 2019 with more to come in the future

## **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Superintendent, 1515 Baldwin, Jenison, Michigan 49428.

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## **BASIC FINANCIAL STATEMENTS**

**GEORGETOWN CHARTER TOWNSHIP**

**STATEMENT OF NET POSITION**

**DECEMBER 31, 2019**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and pooled investments	\$ 13,246,748	\$ 6,115,377	\$ 19,362,125
Receivables			
Taxes	2,013,529	-	2,013,529
Accounts	245,560	1,343,977	1,589,537
Interest	40,058	10,605	50,663
Due from other governments	726,128	-	726,128
Prepaid items	161,996	-	161,996
Inventory	-	47,886	47,886
	<u>16,434,019</u>	<u>7,517,845</u>	<u>23,951,864</u>
<b>Total current assets</b>			
Noncurrent assets			
Special assessment receivable	2,500	1,961,178	1,963,678
Capital assets			
Non-depreciable	4,103,984	299,588	4,403,572
Construction in progress	10,639,359	-	10,639,359
Depreciable capital assets, net	20,136,104	44,554,218	64,690,322
	<u>34,881,947</u>	<u>46,814,984</u>	<u>81,696,931</u>
<b>Total noncurrent assets</b>			
	<u>51,315,966</u>	<u>54,332,829</u>	<u>105,648,795</u>
<b>Total assets</b>			
<b>Liabilities</b>			
Accounts payable	998,065	873,958	1,872,023
	<u>998,065</u>	<u>873,958</u>	<u>1,872,023</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue - subsequent year property taxes	4,983,447	-	4,983,447
	<u>4,983,447</u>	<u>-</u>	<u>4,983,447</u>
<b>Net position</b>			
Invested in capital assets	34,879,447	44,853,806	79,733,253
Restricted for			
Perpetual care	1,508,657	-	1,508,657
Unrestricted	8,946,350	8,605,065	17,551,415
	<u>8,946,350</u>	<u>8,605,065</u>	<u>17,551,415</u>
<b>Total net position</b>	<u>\$ 45,334,454</u>	<u>\$ 53,458,871</u>	<u>\$ 98,793,325</u>

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

**GEORGETOWN CHARTER TOWNSHIP**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<b>Primary government</b>					
Governmental activities					
General government	\$ 1,082,802	\$ 956,317	\$ -	\$ -	\$ (126,485)
Public safety	3,591,879	61,625	-	-	(3,530,254)
Public works	898,701	131,668	-	-	(767,033)
Community and economic development	9,943	-	-	-	(9,943)
Culture and recreation	<u>3,297,340</u>	<u>353,296</u>	<u>49,004</u>	<u>88,404</u>	<u>(2,806,636)</u>
Total governmental activities	<u>8,880,665</u>	<u>1,502,906</u>	<u>49,004</u>	<u>88,404</u>	<u>(7,240,351)</u>
Business-type activities					
Water & sewer	<u>8,945,074</u>	<u>9,111,470</u>	<u>-</u>	<u>946,864</u>	<u>1,113,260</u>
<b>Total primary government</b>	<u>\$ 17,825,739</u>	<u>\$ 10,614,376</u>	<u>\$ 49,004</u>	<u>\$ 1,035,268</u>	<u>\$ (6,127,091)</u>

(Continued)

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

**GEORGETOWN CHARTER TOWNSHIP**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>Changes in net position</b>			
<b>Net (expense) revenue</b>	\$ (7,240,351)	\$ 1,113,260	\$ (6,127,091)
General revenues			
Property taxes	4,735,442	-	4,735,442
State shared revenues	4,355,170	-	4,355,170
Unrestricted investment earnings	381,536	129,491	511,027
Miscellaneous	8,602	-	8,602
Gain on sale of capital assets	-	14,000	14,000
Contributions to permanent fund	66,875	-	66,875
	<u>9,547,625</u>	<u>143,491</u>	<u>9,691,116</u>
Total general revenues and contributions			
Changes in net position	2,307,274	1,256,751	3,564,025
<b>Net position, beginning of year</b>	<u>43,027,180</u>	<u>52,202,120</u>	<u>95,229,300</u>
<b>Net position, end of year</b>	<u>\$ 45,334,454</u>	<u>\$ 53,458,871</u>	<u>\$ 98,793,325</u>

(Concluded)

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

# GEORGETOWN CHARTER TOWNSHIP

## GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2019

	<u>General</u>	<u>Nonmajor Perpetual Care Permanent Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 11,738,091	\$ 1,508,657	\$ 13,246,748
Receivables			
Taxes	2,013,529	-	2,013,529
Accounts	245,560	-	245,560
Special assessments	2,500	-	2,500
Interest	40,058	-	40,058
Due from other governments	726,128	-	726,128
Prepaid items	161,996	-	161,996
<b>Total assets</b>	<b>\$ 14,927,862</b>	<b>\$ 1,508,657</b>	<b>\$ 16,436,519</b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 929,328	\$ -	\$ 929,328
<b>Deferred inflows of resources</b>			
Unavailable revenue - special assessments	2,500	-	2,500
Unavailable revenue - subsequent year property taxes	4,983,447	-	4,983,447
<b>Total deferred inflows of resources</b>	<b>4,985,947</b>	<b>-</b>	<b>4,985,947</b>
<b>Fund balances</b>			
Non-spendable			
Prepaid items	161,996	-	161,996
Restricted for perpetual care	-	1,508,657	1,508,657
Unassigned	8,850,591	-	8,850,591
<b>Total fund balances</b>	<b>9,012,587</b>	<b>1,508,657</b>	<b>10,521,244</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 14,927,862</b>	<b>\$ 1,508,657</b>	<b>\$ 16,436,519</b>

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

# GEORGETOWN CHARTER TOWNSHIP

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

DECEMBER 31, 2019

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<b>Fund balances - total governmental funds</b>	\$ 10,521,244
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	4,103,984
Add - construction in progress	10,639,359
Add - capital assets (net of accumulated depreciation)	20,136,104
Certain assets are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.	
Add - special assessments deferred receivable	2,500
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	<u>(68,737)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 45,334,454</u></u>

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

# GEORGETOWN CHARTER TOWNSHIP

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

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General</u>	<u>Nonmajor Perpetual Care Permanent Fund</u>	<u>Total</u>
<b>Revenues</b>			
Taxes	\$ 4,735,442	\$ -	\$ 4,735,442
Licenses and permits	872,587	-	872,587
Grants	88,404	-	88,404
State	4,404,174	-	4,404,174
Charges for services	400,148	66,875	467,023
Fines	231,727	-	231,727
Investment earnings (loss)	233,910	147,626	381,536
Miscellaneous	8,602	-	8,602
	<u>10,974,994</u>	<u>214,501</u>	<u>11,189,495</u>
<b>Total revenues</b>			
<b>Expenditures</b>			
Current			
General government	931,018	-	931,018
Public safety	2,798,603	-	2,798,603
Public works	1,793,735	-	1,793,735
Community and economic development	9,943	-	9,943
Culture and recreation	11,172,731	-	11,172,731
	<u>16,706,030</u>	<u>-</u>	<u>16,706,030</u>
<b>Total expenditures</b>			
Revenues over (under) expenditures	<u>(5,731,036)</u>	<u>214,501</u>	<u>(5,516,535)</u>
Other financing sources (uses)			
Proceeds from sale of property	860,270	-	860,270
Transfers in	30,429	-	30,429
Transfers out	-	(30,429)	(30,429)
	<u>890,699</u>	<u>(30,429)</u>	<u>860,270</u>
Total other financing sources (uses)			
Net changes in fund balances	(4,840,337)	184,072	(4,656,265)
<b>Fund balances, beginning of year</b>	<u>13,852,924</u>	<u>1,324,585</u>	<u>15,177,509</u>
<b>Fund balances, end of year</b>	<u>\$ 9,012,587</u>	<u>\$ 1,508,657</u>	<u>\$ 10,521,244</u>

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

# GEORGETOWN CHARTER TOWNSHIP

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

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<b>Net changes in fund balances - total governmental funds</b>	<b>\$ (4,656,265)</b>
Amounts reported for <i>governmental activities</i> 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 are allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	10,203,001
Deduct - net book value of disposed capital assets	(1,261,082)
Deduct - depreciation expense	(1,983,190)
Special assessments receivable are long-term in nature and are collectable over several years. However the current receipts are reflected as revenues on the fund statements.	
Deduct - special assessment receipts	(1,556)
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 the funds.	
Add - decrease in compensated absences	<u>6,366</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ 2,307,274</u></b>

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

# GEORGETOWN CHARTER TOWNSHIP

## PROPRIETARY FUND STATEMENT OF NET POSITION

DECEMBER 31, 2019

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	<u>Enterprise</u>
	<u>Water &amp; Sewer</u>
<b>Assets</b>	
Current assets	
Cash and pooled investments	\$ 6,115,377
Accounts receivable	1,343,977
Interest receivable	10,605
Inventory	<u>47,886</u>
Total current assets	<u>7,517,845</u>
Noncurrent assets	
Special assessments receivable	1,961,178
Land	299,588
Property, plant and equipment-net of accumulated depreciation	<u>44,554,218</u>
Total noncurrent assets	<u>46,814,984</u>
<b>Total assets</b>	<u>54,332,829</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	<u>873,958</u>
<b>Net position</b>	
Invested in capital assets	44,853,806
Unrestricted	<u>8,605,065</u>
<b>Total net position</b>	<u>\$ 53,458,871</u>

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

# GEORGETOWN CHARTER TOWNSHIP

## PROPRIETARY FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Enterprise</u>
	<u>Water &amp; Sewer</u>
<b>Operating revenue</b>	
Charges for services	
Water sales	\$ 4,382,454
Sewage disposal services	<u>4,306,424</u>
Total charges for services	8,688,878
Other revenue	<u>422,592</u>
<b>Total operating revenue</b>	<u>9,111,470</u>
<b>Operating expense</b>	
Cost of water	2,190,604
Cost of sewage treatment	3,086,990
Operations and maintenance	674,791
Administration	1,439,277
Depreciation	<u>1,553,412</u>
<b>Total operating expense</b>	<u>8,945,074</u>
Operating income (loss)	<u>166,396</u>
Non-operating revenue (expense)	
Investment earnings	129,491
Gain (loss) on sale of capital assets	<u>14,000</u>
Total non-operating revenue (expense)	<u>143,491</u>
Income (loss) before capital contributions	309,887
Connection charges and contributions	<u>946,864</u>
Change in net position	1,256,751
<b>Net position, beginning of year</b>	<u>52,202,120</u>
<b>Net position, end of year</b>	<u>\$ 53,458,871</u>

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

# GEORGETOWN CHARTER TOWNSHIP

## PROPRIETARY FUND STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Enterprise</u>
	<u>Water &amp; Sewer</u>
<b>Cash flows from operating activities</b>	
Receipts from customers and users	\$ 9,117,268
Payments to employees	(839,513)
Payments to suppliers	<u>(7,373,895)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>903,860</u>
<b>Cash flows from capital and related financing activities</b>	
Connection charges and contributions	946,864
Special assessments collected (issued)	43,897
Proceeds from sale of capital assets	14,000
Acquisition of capital assets	<u>(868,984)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>135,777</u>
<b>Cash flows from investing activities</b>	
Interest received	<u>123,728</u>
Net increase (decrease) in cash and pooled investments	1,163,365
<b>Cash and pooled investments, beginning of year</b>	<u>4,952,012</u>
<b>Cash and pooled investments, end of year</b>	<u>\$ 6,115,377</u>
<b>Cash flows from operating activities</b>	
Operating income (loss)	\$ 166,396
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	1,553,412
Change in operating assets and liabilities which provided (used) cash	
Accounts receivable	5,798
Inventory	(7,950)
Accounts payable	<u>(813,796)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 903,860</u>

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

**GEORGETOWN CHARTER TOWNSHIP**

***AGENCY FUND  
STATEMENT OF ASSETS AND LIABILITIES***

***DECEMBER 31, 2019***

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**Assets**

Cash and pooled investments

\$ 1,024,177

**Liabilities**

Accounts payable

\$ 1,024,177

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

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# GEORGETOWN CHARTER TOWNSHIP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Georgetown Charter Township (the "Township") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

##### ***Reporting Entity***

These financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. The Township has no component units to be included.

##### ***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. Exceptions to this general rule are charges between enterprise functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or 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 fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. 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.

# GEORGETOWN CHARTER TOWNSHIP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

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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, except for reimbursement based grants, state shared revenue, and interest which use a one year collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Taxes, state revenue, grants, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

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 fund are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Township reports the following major governmental fund:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources, except those required to be accounted for in another fund.

The Township reports the following major proprietary fund:

The *Water and Sewer Enterprise Fund* is used to account for the operations of the Township's water distribution system and wastewater collection system which provides water and sewer services on a user charge basis.

Additionally, the Township reports the following fund types:

The *Permanent Fund* is used to account for the assets held by the Township pursuant to a trust agreement. The principal portion of the fund must remain intact, but the earnings may be used to achieve the objectives of the fund.

The *Agency Fund* is used to account for the collection and disbursement of funds that are collected on behalf of outside governments or other parties.

#### ***Budgets and Budgetary Accounting***

Comparisons to budget are presented for the general and permanent funds. General and permanent funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Superintendent submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget is adopted by department within a function.

# GEORGETOWN CHARTER TOWNSHIP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

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2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the general and permanent funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Michigan State law. The appropriations resolution is based on the projected expenditures budgets of the department heads of the Township. Any amendment to the original budget must meet the requirements of Michigan law. Any revisions that alter the total expenditures of any department within a function must be approved by the Board of Trustees. Thus, the legal level of budgetary control is at the department within a function level. Supplemental appropriations were necessary during the year.

#### ***Cash and Pooled Investments***

For the purpose of the statement of cash flows, the Township considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal at any time similar to a demand deposit account.

#### ***Investments***

Investments are stated at fair value at the balance sheet date. Interest income earned by the pool is allocated by capturing the average daily balance of each individual fund relative to the average daily balance of all funds participating in the pool.

Township investment policy allows for investments authorized by State statutes. State statutes authorize the Township to invest in:

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

# GEORGETOWN CHARTER TOWNSHIP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

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- g. External investment pools as authorized by Public Act 20 as amended.
- h. The Township Perpetual Care Permanent fund is also allowed to invest in corporate debt and equity securities in accordance with Public Act 215.

#### **Receivables and Payables**

Outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances, if any, are immaterial to the financial statements.

#### **Inventory and Prepaid Items**

Inventories are valued at cost on the first-in/first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements following the consumption method.

#### **Capital Assets**

Capital assets, which include land, construction in progress, buildings and equipment, and infrastructure assets (e.g., water and sewer systems, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (\$20,000 for business-type activities) and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received.

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Included in capital assets as infrastructure, are the Township's investment in roads and drains within the Township that are considered intangible assets (shared road improvements and flowage rights). Although paid for by the Township, Michigan law makes these assets property of the County (along with the responsibility to maintain them).

# GEORGETOWN CHARTER TOWNSHIP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

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

	<u>Years</u>
Land improvements	15-20
Buildings and improvements	20-40
Water and sewer systems	50
Roads (shared road improvements)	15
Drains	15
Vehicles	5-20
Machinery and equipment	5-15
Office furniture and equipment	5

#### **Compensated Absences**

Individual employees have a vested right to receive payments for unused vacation. Accumulated compensated absences of governmental funds are recorded on the statement of net position and not on the governmental fund balance sheets because the balance is not expected to be liquidated with expendable available financial resources.

#### **Deferred outflows/inflows 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The township has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds and governmental activities report unearned revenues from property taxes levied for the following year. Additionally the governmental funds report unavailable revenues related to special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### **Fund Equity**

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.

# GEORGETOWN CHARTER TOWNSHIP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

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4. Assigned - the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Stabilization amounts are established by formal action of the Board. Any increases or use of stabilization amounts are required to be authorized by the Board. Stabilization funds were used during 2019. Board action is also required to commit or assign fund balance.

#### ***Net Position and Fund Balance Flow Assumptions***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### ***Property Taxes***

Township property taxes attach as an enforceable lien on property as of December 1 of each year and are due without penalty on or before February 14. Tax bills include the Township's own property taxes and taxes billed on behalf of other taxing units. Real property taxes not collected as of March 1 are turned over to the county for collection, which advances the Township 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer. The December 1 levy is recorded as a receivable (to the extent uncollected) and unearned revenue at the end of the year and is intended to fund expenditures of the following year.

#### ***Interfund Transactions***

During the course of normal operations, the Township has numerous transactions between funds. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. Charges between enterprise funds and other functions of the Township are not reimbursements because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Remaining transactions are generally reflected as transfers.

#### ***Risk Management***

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2019, the Township carried commercial insurance to cover risks of losses. The Township had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

# GEORGETOWN CHARTER TOWNSHIP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

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#### 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a department within a function basis. The approved budgets of the Township for these budgeted funds were adopted at the department within a function level.

During the year ended December 31, 2019, the Township did not incur expenditures in budgetary funds in excess of the amounts appropriated.

#### 3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and pooled investments are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and pooled investments	\$13,246,748	\$6,115,377	\$1,024,177	\$20,386,302

The cash and investments making up the above balances are as follows:

Deposits	\$18,893,520
Perpetual Care Permanent Fund investments	<u>1,492,782</u>
Total	<u><b>\$20,386,302</b></u>

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Township and a specific fund or common account. They are recorded in Township records at fair value. Interest is recorded when earned.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require, and the Township does not have, a policy for deposit custodial credit risk. As of year-end, \$19,412,643 of the Township's bank balance of \$21,905,425 was exposed to custodial credit risk because the balance was uninsured and uncollateralized. The Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# GEORGETOWN CHARTER TOWNSHIP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

#### Investments

The Township chooses to disclose its investments by specifically identifying each. As of year-end, the Township had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Money market accounts	N/A	\$ 224,044	Not rated	N/A
Fixed income securities:				
BlackRock GNMA Portfolio Institutional Shares	N/A	101,198	3 stars	Morning Star
Capital One Bank CD 1.9%	6/15/2020	50,055	Not rated	N/A
Capital One Bank CD 2.2%	6/14/2021	50,371	Not rated	N/A
Cognios Market Neutral Large Cap Fund	N/A	30,291	3 stars	Morning Star
JP Morgan Chase CD 2.9%	1/18/2023	50,017	Not rated	N/A
Lord Abbett Emerging Markets Corp	N/A	16,901	4 stars	Morning Star
Northpointe Bank, MI CD 1.8%	4/20/2020	100,044	Not rated	N/A
Numerica Credit Union CD 2%	12/21/2020	50,165	Not rated	N/A
Silvergate Bank CD La Jolia 2.4%	6/28/2023	50,029	Not rated	N/A
Vanguard Interim Term Treasury	N/A	64,231	5 stars	Morning Star
Vanguard Short-Term Investment-Grade fund	N/A	38,742	4 stars	Morning Star
Equity securities:				
Diamond Hill Small Mid Cap fund	N/A	75,447	4 stars	Morning Star
Federated Kaufman Small Cap Fund R6	N/A	38,823	5 stars	Morning Star
JPMorgan Mid Cap Value fund	N/A	38,909	5 stars	Morning Star
MFS International Value fund	N/A	171,899	5 stars	Morning Star
Oppenheimer International Small Mid Company fund	N/A	39,960	5 stars	Morning Star
Principal Global Real Estate Securities fund	N/A	56,828	5 stars	Morning Star
T. Rowe Price Growth Stock fund	N/A	71,687	4 stars	Morning Star
T. Rowe Price Emerging Markets Stock fund	N/A	44,834	4 stars	Morning Star
T. Rowe Price Institutional Mid Cap Equity Growth fund	N/A	43,851	4 stars	Morning Star
Wisdomtree Total Dividend Fund	N/A	84,456	5 stars	Morning Star
		<u>\$1,492,782</u>		

The Township categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Township has the following recurring fair value measurements as of year-end:

- The Township has no investments that are valued using quoted market prices (Level 1 inputs).
- The money market accounts, equity securities and fixed income securities are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The Township has no investments that report fair value based on significant unobservable inputs (Level 3 inputs).

# GEORGETOWN CHARTER TOWNSHIP

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

### *Investment and Deposit Risk*

*Interest Rate Risk.* State law and Township policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. 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 rates. The maturity date for each investment is identified above for investments held at year-end.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year-end.

*Custodial Credit Risk - Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require, and the Township does not have, a policy for investment custodial credit risk. Of the above investments, \$1,492,782 is subject to custodial credit risk because the investments are uninsured and unregistered and held by the Township's brokerage firm.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The Township has not adopted a formal policy for concentration of credit risk. All investments held at year-end are reported above.

#### 4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<b>Balance January 1, <u>2019</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Balance December 31, <u>2019</u></b>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 4,986,938	\$ -	\$ 882,954	\$ 4,103,984
Construction in progress	2,023,642	8,952,469	336,752	10,639,359
Total capital assets, not being depreciated	7,010,580	8,952,469	1,219,706	14,743,343
<b>Capital assets, being depreciated</b>				
Buildings and improvements	9,559,628	60,000	1,097,219	8,522,409
Land improvements	7,114,761	87,439	-	7,202,200
Machinery and equipment	1,363,064	-	-	1,363,064
Furniture and equipment	424,385	-	139,490	284,895
Vehicles	3,476,116	77,347	157,470	3,395,993
Infrastructure	17,990,554	1,362,498	-	19,353,052
Total capital assets, being depreciated	39,928,508	1,587,284	1,394,179	40,121,613

# GEORGETOWN CHARTER TOWNSHIP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

	Balance January 1, <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2019</u>
Less accumulated depreciation for				
Buildings and improvements	\$ 3,922,960	\$ 244,523	\$ 796,179	\$ 3,371,304
Land improvements	2,554,233	331,483	-	2,885,716
Machinery and equipment	883,782	111,380	-	995,162
Office furniture and equipment	308,279	14,981	139,490	183,770
Vehicles	2,009,828	200,347	80,382	2,129,793
Infrastructure	9,339,288	1,080,476	-	10,419,764
Total accumulated depreciation	19,018,370	1,983,190	1,016,051	19,985,509
<b>Net capital assets, being depreciated</b>	20,910,138	(395,906)	378,128	20,136,104
<b>Governmental Activities capital assets, net</b>	<b>\$27,920,718</b>	<b>\$8,556,563</b>	<b>\$1,597,834</b>	<b>\$34,879,447</b>

#### Business-type Activities

<b>Capital assets, not being depreciated</b>				
Land	\$ 299,588	\$ -	\$ -	\$ 299,588
Construction in progress	3,048,888	-	3,048,888	-
Total capital assets, not being depreciated	3,348,476	-	3,048,888	299,588
<b>Capital assets being depreciated</b>				
Buildings	1,102,722	83,097	-	1,185,819
Furniture and equipment	254,299	-	3,000	251,299
Vehicles	191,007	204,344	46,639	348,712
Water systems	26,579,769	1,550,618	-	28,130,387
Sewer systems	46,394,570	2,079,813	-	48,474,383
Total capital assets, being depreciated	74,522,367	3,917,872	49,639	78,390,600
Less accumulated depreciation for				
Buildings	1,084,047	5,498	-	1,089,545
Furniture and equipment	254,299	-	3,000	251,299
Vehicles	129,705	22,240	46,639	105,306
Water systems	11,572,440	593,119	-	12,165,559
Sewer systems	19,292,118	932,555	-	20,224,673
Total accumulated depreciation	32,332,609	1,553,412	49,639	33,836,382
<b>Net capital assets, being depreciated</b>	42,189,758	2,364,460	-	44,554,218
<b>Business-type Activities capital assets, net</b>	<b>\$45,538,234</b>	<b>\$2,364,460</b>	<b>\$3,048,888</b>	<b>\$44,853,806</b>

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

<b>Governmental Activities</b>	
General government	\$ 218,150
Public safety	793,276
Public works	218,151
Culture and recreation	753,613
	\$1,983,190
<b>Total depreciation expense - governmental activities</b>	
	<b>\$1,983,190</b>
<b>Business-type Activities</b>	
Water & Sewer	\$1,553,412
	<b>\$1,553,412</b>

# GEORGETOWN CHARTER TOWNSHIP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

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#### 5. LONG-TERM DEBT COMMITMENT

The Township, along with other local municipalities, purchases water from the City of Wyoming for storage and distribution to the Township's customers. The City of Wyoming bills Ottawa County Public Utilities for this water purchase which in turn bills individual municipalities.

Ottawa County has issued general obligation bonds to provide for the construction and acquisition of a portion of the City of Wyoming water system for the benefit of the local municipalities. Each participating municipality has pledged its full faith and credit for the payment of its respective share of contract payments to Ottawa County sufficient to pay the principal and interest on the bonds.

Separate contract payments for principal and interest on these bonds are not made by the Township but instead are included as part of the overall water rate charged by Ottawa County to the Township.

At December 31, 2019, the portion of these Ottawa County bonds outstanding for which the Township has pledged its full faith and credit amounted to approximately \$23,150,000.

#### 6. PENSION PLANS

##### Defined Contribution Pension Plan

The Georgetown Charter Township Group Pension Plan is a defined contribution plan established by the Township to provide benefits at retirement to employees of the Township meeting length of service requirements. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. No contributions are required of plan members. The Township contribution is 11.5% of covered salary and amounted to \$200,216 for 2019. Plan provisions and contribution requirements are established and may be amended by the Georgetown Charter Township Board.

##### Deferred Compensation Plan

The Township offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the Plan are held in trust for employees and the related assets and liabilities are not included in this report.

#### 7. TAX ABATEMENTS

The Township entered into property tax abatements agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 12 years as determined by the local unit of government. The IFT is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%. For the year ended December 31, 2019, the Township abated property tax revenues of approximately \$6,000.

# **GEORGETOWN CHARTER TOWNSHIP**

## ***NOTES TO THE FINANCIAL STATEMENTS***

### ***FOR THE YEAR ENDED DECEMBER 31, 2019***

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#### **8. COMMITMENTS**

As of December 31, 2019, the Township has outstanding construction commitments of approximately \$1,150,000 related to the library building, the Cottonwood intersection, and the Baldwin gateway. The Township also signed a contract during 2019 to purchase two fire trucks in 2020 for approximately \$1,140,000.

#### **9. SUBSEQUENT EVENTS**

Subsequent to year end, the Township was required to be closed to for several weeks due to the COVID-19 outbreak. The financial impact of the closing is unknown at this time.

Subsequent to year end the Perpetual Care Permanent Fund investments experienced a significant decline in market value due to the stock market crisis amid the COVID-19 outbreak. Investments declined approximately \$65,000 through our report date.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**GEORGETOWN CHARTER TOWNSHIP**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 4,737,400	\$ 4,737,400	\$ 4,735,442	\$ (1,958)
Licenses and permits	850,825	850,825	872,587	21,762
Grants	30,000	65,000	88,404	23,404
State	4,107,600	4,107,600	4,404,174	296,574
Charges for services	315,850	315,850	400,148	84,298
Fines	218,000	218,000	231,727	13,727
Investment earnings	30,050	118,050	233,910	115,860
Miscellaneous	11,000	11,000	8,602	(2,398)
<b>Total revenues</b>	<u>10,300,725</u>	<u>10,423,725</u>	<u>10,974,994</u>	<u>551,269</u>
<b>Expenditures</b>				
Current				
General government				
Township Board	57,950	57,950	37,270	20,680
Supervisor	29,715	29,715	22,825	6,890
Township office	287,440	287,440	203,709	83,731
Elections	49,000	49,000	46,379	2,621
Assessor	239,900	239,900	190,821	49,079
Clerk	23,250	23,250	18,316	4,934
Board of Review	4,305	4,305	2,505	1,800
Treasurer	20,420	20,420	15,911	4,509
Superintendent	196,445	218,353	213,008	5,345
Cemetery	260,315	260,315	180,274	80,041
	<u>1,168,740</u>	<u>1,190,648</u>	<u>931,018</u>	<u>259,630</u>
Public safety				
Sheriff E-Unit	1,852,000	1,852,000	1,668,503	183,497
School safety	85,090	85,090	73,860	11,230
Fire department	856,900	856,900	825,714	31,186
Building inspection	304,050	304,050	230,526	73,524
	<u>3,098,040</u>	<u>3,098,040</u>	<u>2,798,603</u>	<u>299,437</u>
Public works				
Drains	1,003,000	1,003,000	221,854	781,146
Streets	2,136,000	2,136,000	1,161,927	974,073
Street lighting	492,000	492,000	409,954	82,046
	<u>3,631,000</u>	<u>3,631,000</u>	<u>1,793,735</u>	<u>1,837,265</u>

(Continued)

**GEORGETOWN CHARTER TOWNSHIP**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Community and economic development				
Planning Commission	\$ 24,800	\$ 24,800	\$ 7,034	\$ 17,766
Zoning Board of Appeals	5,500	5,500	2,909	2,591
	<u>30,300</u>	<u>30,300</u>	<u>9,943</u>	<u>20,357</u>
Recreation and culture				
Parks	568,100	1,522,100	794,507	727,593
Senior transportation	130,200	165,200	113,155	52,045
Senior center	230,350	230,350	229,773	577
Community projects	170,000	170,000	144,606	25,394
Historical Society	15,100	15,100	4,966	10,134
Library	12,400,600	12,400,600	9,885,724	2,514,876
	<u>13,514,350</u>	<u>14,503,350</u>	<u>11,172,731</u>	<u>3,330,619</u>
Total expenditures	<u>21,442,430</u>	<u>22,453,338</u>	<u>16,706,030</u>	<u>5,747,308</u>
Revenues over (under) expenditures	<u>(11,141,705)</u>	<u>(12,029,613)</u>	<u>(5,731,036)</u>	<u>6,298,577</u>
Other financing sources (uses)				
Sale of capital assets	-	866,000	860,270	(5,730)
Transfers in	38,000	38,000	30,429	(7,571)
	<u>38,000</u>	<u>904,000</u>	<u>890,699</u>	<u>(13,301)</u>
Net change in fund balance	(11,103,705)	(11,125,613)	(4,840,337)	6,285,276
<b>Fund balances, beginning of year</b>	<u>13,852,924</u>	<u>13,852,924</u>	<u>13,852,924</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 2,749,219</u>	<u>\$ 2,727,311</u>	<u>\$ 9,012,587</u>	<u>\$ 6,285,276</u>

(Concluded)

**Note to required supplementary information**

**Budgets and Budgetary Accounting**

The Township adopts an annual budget for the general fund following the GAAP basis of accounting. Unexpended appropriations lapse at year-end.

**INDIVIDUAL FUND  
FINANCIAL SCHEDULE**

**GEORGETOWN CHARTER TOWNSHIP**

**PERPETUAL CARE PERMANENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ 66,875	\$ 66,875
Investment earnings	50,000	50,000	30,429	(19,571)
Change in fair value of investments	-	-	117,197	117,197
<b>Total revenues</b>	50,000	50,000	214,501	164,501
<b>Expenditures</b>				
Current				
Public works	-	-	-	-
Revenues over (under) expenditures	50,000	50,000	214,501	164,501
Other financing sources (uses)				
Transfers out	(50,000)	(50,000)	(30,429)	19,571
Net change in fund balance	-	-	184,072	184,072
<b>Fund balances, beginning of year</b>	<u>1,324,585</u>	<u>1,324,585</u>	<u>1,324,585</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 1,324,585</u>	<u>\$ 1,324,585</u>	<u>\$ 1,508,657</u>	<u>\$ 184,072</u>