

WATERTOWN CHARTER TOWNSHIP
REPORT ON FINANCIAL STATEMENTS
(with required and other
supplementary information)
YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Watertown Charter Township
Clinton County, 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 Watertown Charter Township, Michigan (the Township), as of and for the year ended December 31, 2020, 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 Township'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 Watertown Charter Township, Michigan, as of December 31, 2020, 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 14 to the financial statements, the Township implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, during the year. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, as identified in the table of contents, 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 combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are 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. 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maney Costeiran PC

June 10, 2021

WATERTOWN CHARTER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Reporting

This discussion and analysis of Watertown Charter Township's (the Township) financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this analysis, the following represents the most significant financial issues for the year ended December 31, 2020:

- Property tax revenue related to the Township's governmental activities decreased by \$73,359.
- Due to the global pandemic and a halt in all project spending in 2020.
- The Township increased net position in 2020 by \$736,077.

Using this Annual Report

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

Government-wide Financial Statements. The statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

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).

Fund Financial Statements. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

WATERTOWN CHARTER TOWNSHIP 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 three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is a major fund. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Other Supplementary Information section of this report.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds. The Township maintains two proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer and water system activity.

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.

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. The notes to the financial statements can be found on pages 22-43 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and a budgetary comparison schedule. Combining and individual fund financial statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information.

WATERTOWN CHARTER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

The Township as a Whole

The following table shows, in a condensed format, a comparative analysis of the net position, as of December 31, 2020 and December 31, 2019:

	Governmental Activities		Business-Type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current and other assets	\$ 8,944,105	\$ 8,290,705	\$ 6,104,124	\$ 5,966,262	\$ 15,048,229	\$ 14,256,967
Capital assets	256,074	272,226	4,469,020	4,589,682	4,725,094	4,861,908
TOTAL ASSETS	9,200,179	8,562,931	10,573,144	10,555,944	19,773,323	19,118,875
LIABILITIES AND NET POSITION						
LIABILITIES						
Current liabilities	141,033	75,311	272,331	106,596	413,364	181,907
Noncurrent liabilities	28,236	115,379	-	305,000	28,236	420,379
TOTAL LIABILITIES	169,269	190,690	272,331	411,596	441,600	602,286
DEFERRED INFLOWS OF RESOURCES	1,498,279	1,426,406	58,513	51,329	1,556,792	1,477,735
NET POSITION						
Net investment in capital assets	221,074	272,226	4,344,020	4,334,682	4,565,094	4,606,908
Restricted	259,516	261,124	70,810	511,271	330,326	772,395
Unrestricted	7,052,041	6,412,485	5,827,470	5,247,066	12,879,511	11,659,551
TOTAL NET POSITION	\$ 7,532,631	\$ 6,945,835	\$ 10,242,300	\$ 10,093,019	\$ 17,774,931	\$ 17,038,854

Net position may serve over time as a useful indicator of a government's financial position. The Township's assets exceeded liabilities by \$17,774,931 as of December 31, 2020. A portion of the Township's net position (26%) reflects its investment in capital assets (e.g., sewer lines, land, buildings, equipment) less any related debt used to acquire those assets that is still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's 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 (less than 2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$12,879,511 may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The Township's net position increased by \$736,077 during the current year as indicated below. This increase was due to a spending freeze on all projects during the 2020 construction season.

**WATERTOWN CHARTER TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
REVENUE						
Program Revenue						
Charges for service	\$ 630,064	\$ 499,327	\$ 837,693	\$ 1,114,464	\$ 1,467,757	\$ 1,613,791
Operating grants and contributions	49,805	-	-	-	49,805	-
Capital grants and contributions	-	-	151,560	-	151,560	-
General Revenue						
Property taxes	1,323,680	1,397,039	-	-	1,323,680	1,397,039
State shared revenue	427,197	428,332	-	-	427,197	428,332
Investment earnings	108,581	108,157	10,198	96,128	118,779	204,285
SCCMUA Equity	-	-	68,542	20,929	68,542	20,929
Miscellaneous	15,455	230,128	-	-	15,455	230,128
Transfers	191,284	-	(191,284)	-	-	-
TOTAL REVENUE	2,746,066	2,662,983	876,709	1,231,521	3,622,775	3,894,504
PROGRAM EXPENSES						
General government	1,206,508	1,121,413	-	-	1,206,508	1,121,413
Public safety	425,758	627,975	-	-	425,758	627,975
Public works	139,567	121,620	-	-	139,567	121,620
Community and economic development	375,874	137,543	-	-	375,874	137,543
Recreation and culture	10,683	12,605	-	-	10,683	12,605
Sewer system	-	-	615,479	599,802	615,479	599,802
Water system	-	-	111,949	105,208	111,949	105,208
Interest on long-term debt	880	3,594	-	-	880	3,594
TOTAL PROGRAM EXPENSES	2,159,270	2,024,750	727,428	705,010	2,886,698	2,729,760
Change in net position	\$ 586,796	\$ 638,233	\$ 149,281	\$ 526,511	\$ 736,077	\$ 1,164,744

Governmental Activities

Governmental activities increased the Township's net position by \$586,796 during fiscal year 2020. Key elements of this increase are as follows:

The Township's governmental activities' revenues totaled \$2,746,066, an increase from the prior year governmental activities' revenue of \$2,662,983. The Township's revenue sources increased approximately 3%. There was an increase in charges for services of \$130,737, primarily related to public works and general government, and a decrease in property taxes of \$73,359 due to a decrease in the operating millage rate.

The Township incurred governmental expenses of \$2,159,270 during 2020, an increase of approximately 7% from 2019. The majority of these expenses are associated with providing general government services and public safety, which includes fire services.

Business-Type Activities

Business-type activities increased the Township's net position by \$149,281 during fiscal year 2020. The primary reason for this increase in net position includes an increase in Township's equity interest in the Southern Clinton County Municipal Utilities Authority (SCCMUA), this is a result of the government accounting standards only, the township has not increased any ownership in SCCMUA. The majority (96%) of the revenue of the business-type activities is generated through user charges. Capital grants and contribution revenue decreased \$385,215. The Sewage Disposal Fund recognized \$151,560 of special assessment revenue in the current year related to system improvements.

WATERTOWN CHARTER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

The Township's Funds

Governmental Funds. The analysis of the Township's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township's Board of Trustees creates funds to help manage money for specific purposes. The Township's major governmental fund for the fiscal year ended December 31, 2020, was the General Fund.

The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was for General Government, which incurred expenditures of \$1,171,709 for the fiscal year. General Government services are partially supported by property taxes and State revenue sharing.

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 Sewage Disposal and the Water Extension Funds at the end of the year amounted to \$5,027,036 and \$800,434 respectively. The increase in net position for the Sewage Disposal Fund for the fiscal year was \$78,803. Net position for the Water Extension Fund increased by \$70,478 in 2020. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township's Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budgetary-basis revenues and other financing sources were increased by \$152,400 to account for additional licenses and permits. Actual revenues and other financing sources came in \$333,362 more than the amended budget due to additional licenses and permits and transfer in during the year. Budgetary basis expenditures and other financing uses were increased \$162,275, primarily for additional planning and zoning activities. Actual expenditures and other financing uses came in \$595,831 under budget, due primarily to the delay in public works and other capital outlay projects.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had approximately \$9,443,016 invested in a broad range of governmental and business-type capital assets, including buildings, land, equipment, and utilities. In addition, the Township has made certain investments in roads within Watertown Charter Township. These assets are not reported in Watertown Charter Township's financial statements as capital assets because under Michigan law these roads are the property of the Clinton County Road Commission. Refer to Note 8 on pages 37 and 38 for further details related to the Township's capital assets.

Long-term Debt. The Township made principal payments on existing obligations in the amount of \$190,000. The carrying amount of the Township's obligation for compensated absences increased by \$18,867. Refer to Note 9 on pages 39 and 40 for further details related to the Township's long-term debt.

WATERTOWN CHARTER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

Current Economic Factors

The following economic factors were considered in preparing the Township's budget for the 2021 fiscal year:

- The post pandemic uncertainty of State revenue sharing
- The uncertainty of fire service funding
- An increase in costs for the fire and ambulance services
- Sewer infrastructure improvements
- Road and Bridge Infrastructure improvements

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 demonstrate 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 Manager at the Watertown Charter Township Hall, 12803 S. Wacousta Road, Grand Ledge, Michigan 48837, or by e-mail at JTubbs@watertowntownship.com.

BASIC FINANCIAL STATEMENTS

**WATERTOWN CHARTER TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,049,600	\$ 679,883	\$ 2,729,483
Cash and cash equivalents - restricted	34,168	16,407	50,575
Investments	4,695,138	3,794,001	8,489,139
Investments - restricted	225,348	56,825	282,173
Receivables	885,513	167,162	1,052,675
Due from other governmental units	175,349	-	175,349
Current portion of internal balances	(8,213)	8,213	-
Assets held for resale	40,120	-	40,120
Prepays	711	33,773	34,484
Total current assets	8,097,734	4,756,264	12,853,998
Noncurrent assets			
Investment in joint venture	759,647	1,298,850	2,058,497
Special assessments	-	135,734	135,734
Noncurrent portion of internal balances	86,724	(86,724)	-
Capital assets not being depreciated	93,846	179,247	273,093
Capital assets, net of accumulated depreciation	162,228	4,289,773	4,452,001
Total noncurrent assets	1,102,445	5,816,880	6,919,325
TOTAL ASSETS	9,200,179	10,573,144	19,773,323
LIABILITIES			
Current liabilities			
Accounts payable	41,195	119,909	161,104
Accrued liabilities	28,263	-	28,263
Accrued interest payable	565	2,422	2,987
Current portion of compensated absences	36,010	-	36,010
Current portion of long-term debt	35,000	150,000	185,000
Total current liabilities	141,033	272,331	413,364
Noncurrent liabilities			
Noncurrent portion of compensated absences	28,236	-	28,236
TOTAL LIABILITIES	169,269	272,331	441,600
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent year	1,498,279	-	1,498,279
Assessment collections for subsequent periods	-	58,513	58,513
TOTAL DEFERRED INFLOWS OF RESOURCES	1,498,279	58,513	1,556,792
NET POSITION			
Net investment in capital assets	221,074	4,344,020	4,565,094
Restricted	259,516	70,810	330,326
Unrestricted	7,052,041	5,827,470	12,879,511
TOTAL NET POSITION	\$ 7,532,631	\$ 10,242,300	\$ 17,774,931

See accompanying notes to financial statements.

**WATERTOWN CHARTER TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities						
General government	\$ 1,206,508	\$ 128,700	\$ 23,966	\$ -	\$ (1,053,842)	\$ -
Public safety	425,758	50,192	-	-	(375,566)	-
Public works	139,567	178,373	25,839	-	64,645	-
Community and economic development	375,874	271,796	-	-	(104,078)	-
Recreation and culture	10,683	1,003	-	-	(9,680)	-
Interest on long-term debt	880	-	-	-	(880)	-
Total governmental activities	2,159,270	630,064	49,805	-	(1,479,401)	-
Business-type activities						
Sewage disposal	615,479	664,862	-	151,560	-	200,943
Water extension	111,949	172,831	-	-	-	60,882
Total business-type activities	727,428	837,693	-	151,560	-	261,825
TOTAL	\$ 2,886,698	\$ 1,467,757	\$ 49,805	\$ 151,560	(1,479,401)	(1,217,576)
General revenues						
Property taxes					1,323,680	1,323,680
State shared revenues					427,197	427,197
Investment earnings					108,581	118,779
Equity interest in SCCMUA operations					-	68,542
Miscellaneous					15,455	15,455
Transfers					191,284	(191,284)
Total general revenues and transfers					2,066,197	1,953,653
Change in net position					586,796	736,077
Restated net position, beginning of the year					6,945,835	17,038,854
Net position, end of the year					\$ 7,532,631	\$ 17,774,931

See accompanying notes to financial statements.

**WATERTOWN CHARTER TOWNSHIP
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2020**

	General	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 2,017,202	\$ 32,398	\$ 2,049,600
Cash and cash equivalents - restricted	34,168	-	34,168
Investments	4,497,391	197,747	4,695,138
Investments - restricted	225,348	-	225,348
Receivables			
Accounts	87,606	-	87,606
Taxes	736,406	-	736,406
Special assessments	61,501	-	61,501
Due from other governmental units	175,349	-	175,349
Due from other funds	2,200	-	2,200
Advance to other funds	-	86,724	86,724
Assets held for resale	40,120	-	40,120
Prepays	711	-	711
TOTAL ASSETS	<u><u>\$ 7,878,002</u></u>	<u><u>\$ 316,869</u></u>	<u><u>\$ 8,194,871</u></u>
LIABILITIES			
Accounts payable	\$ 41,195	\$ -	\$ 41,195
Accrued wages	25,909	-	25,909
Due to other funds	-	10,413	10,413
Other liabilities	2,354	-	2,354
TOTAL LIABILITIES	69,458	10,413	79,871
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent year	1,498,279	-	1,498,279
Unavailable revenue	76,116	-	76,116
TOTAL DEFERRED INFLOWS OF RESOURCES	1,574,395	-	1,574,395
FUND BALANCES			
Nonspendable	40,831	86,724	127,555
Restricted	259,516	-	259,516
Committed	3,137,675	219,732	3,357,407
Assigned	1,310,598	-	1,310,598
Unassigned	1,485,529	-	1,485,529
TOTAL FUND BALANCES	<u><u>6,234,149</u></u>	<u><u>306,456</u></u>	<u><u>6,540,605</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 7,878,002</u></u>	<u><u>\$ 316,869</u></u>	<u><u>\$ 8,194,871</u></u>

See accompanying notes to financial statements.

**WATERTOWN CHARTER TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020**

Total fund balances - governmental funds **\$ 6,540,605**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$	584,880
Accumulated depreciation is		<u>(328,806)</u>

Capital assets, net	256,074
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Equity interest in the Looking Glass Regional Fire Authority is not a current financial resource and therefore is not reported as an asset in the governmental funds.	759,647
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Long-term receivables are not available to pay for current period expenditures and are therefore unavailable in the funds.	76,116
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bonds payable	(35,000)
Accrued interest payable	(565)
Compensated absences	<u>(64,246)</u>

(99,811)

Net position of governmental activities	<u><u>\$ 7,532,631</u></u>
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**WATERTOWN CHARTER TOWNSHIP
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2020**

	General	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 1,438,884	\$ -	\$ 1,438,884
Special assessments	72,792	-	72,792
Licenses and permits	433,985	-	433,985
Intergovernmental	459,376	-	459,376
Charges for services	43,659	3,840	47,499
Interest and rents	125,478	4,340	129,818
Other	15,945	-	15,945
TOTAL REVENUES	2,590,119	8,180	2,598,299
EXPENDITURES			
Current			
General government	1,171,709	-	1,171,709
Public safety	417,500	-	417,500
Public works	138,368	1,199	139,567
Community and economic development	371,748	-	371,748
Recreation and culture	6,452	-	6,452
Debt service	36,446	-	36,446
Capital outlay	8,137	-	8,137
TOTAL EXPENDITURES	2,150,360	1,199	2,151,559
EXCESS OF REVENUES OVER EXPENDITURES	439,759	6,981	446,740
OTHER FINANCING SOURCES (USES)			
Transfers in	198,484	-	198,484
Transfers out	(2,200)	(5,000)	(7,200)
TOTAL OTHER FINANCING SOURCES (USES)	196,284	(5,000)	191,284
NET CHANGE IN FUND BALANCES	636,043	1,981	638,024
Fund balances, beginning of year	5,601,786	304,475	5,906,261
Prior period adjustment	(3,680)	-	(3,680)
Fund balances, end of year	<u>\$ 6,234,149</u>	<u>\$ 306,456</u>	<u>\$ 6,540,605</u>

See accompanying notes to financial statements.

**WATERTOWN CHARTER TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net change in fund balances - total governmental funds **\$ 638,024**

Amounts reported for governmental activities in the statement of activities are different

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (16,152)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current year these amounts consist of:

(Decrease) in unavailable revenue (43,517)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:

(Decrease) in equity interest in Looking Glass Regional Fire Authority (8,258)

Repayments of long-term debt and borrowing of long-term debt are reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowing increases long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Bond principal retirement 35,000

Some items 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. These activities consist of:

Decrease in accrued interest payable	\$	566
(Increase) in accrued compensated absences		<u>(18,867)</u>

(18,301)

Change in net position of governmental activities **\$ 586,796**

**WATERTOWN CHARTER TOWNSHIP
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Sewage Disposal	Water Extension	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 538,908	\$ 140,975	\$ 679,883
Cash and cash equivalents - restricted	8,634	7,773	16,407
Investments	2,962,439	831,562	3,794,001
Investments - restricted	55,212	1,613	56,825
Receivables			
Accounts	24,702	-	24,702
Interest	-	3,246	3,246
Special assessment	118,577	20,637	139,214
Due from other funds	10,413	-	10,413
Prepaid expenses	33,773	-	33,773
Total current assets	<u>3,752,658</u>	<u>1,005,806</u>	<u>4,758,464</u>
Noncurrent assets			
Investment in SCCMUA	1,298,850	-	1,298,850
Special assessments receivable	135,734	-	135,734
Capital assets not being depreciated	179,247	-	179,247
Capital assets, net of accumulated depreciation	<u>4,289,773</u>	<u>-</u>	<u>4,289,773</u>
Total noncurrent assets	<u>5,903,604</u>	<u>-</u>	<u>5,903,604</u>
TOTAL ASSETS	<u>9,656,262</u>	<u>1,005,806</u>	<u>10,662,068</u>
LIABILITIES			
Current liabilities			
Accounts payable	9,636	110,273	119,909
Accrued interest payable	2,018	404	2,422
Due to other funds	-	2,200	2,200
Current portion of long-term debt	<u>125,000</u>	<u>25,000</u>	<u>150,000</u>
Total current liabilities	136,654	137,877	274,531
Noncurrent liabilities			
Advance from other funds	<u>86,724</u>	<u>-</u>	<u>86,724</u>
TOTAL LIABILITIES	<u>223,378</u>	<u>137,877</u>	<u>361,255</u>
DEFERRED INFLOWS OF RESOURCES			
Assessment collections for subsequent periods	<u>-</u>	<u>58,513</u>	<u>58,513</u>
NET POSITION			
Net investment in capital assets	4,344,020	-	4,344,020
Restricted for debt service	61,828	8,982	70,810
Unrestricted	<u>5,027,036</u>	<u>800,434</u>	<u>5,827,470</u>
TOTAL NET POSITION	<u>\$ 9,432,884</u>	<u>\$ 809,416</u>	<u>\$ 10,242,300</u>

See accompanying notes to financial statements.

**WATERTOWN CHARTER TOWNSHIP
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2020**

	Sewage Disposal	Water Extension	Total
OPERATING REVENUES			
User fee charges	\$ 559,271	\$ 113,435	\$ 672,706
Hook-up fees and permits	97,350	57,200	154,550
TOTAL OPERATING REVENUES	<u>656,621</u>	<u>170,635</u>	<u>827,256</u>
OPERATING EXPENSES			
Administrative charges	7,912	1,055	8,967
Sewage plant administration	381,422	-	381,422
Other operating costs	-	109,360	109,360
Depreciation	217,022	-	217,022
TOTAL OPERATING EXPENSES	<u>606,356</u>	<u>110,415</u>	<u>716,771</u>
OPERATING INCOME	<u>50,265</u>	<u>60,220</u>	<u>110,485</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	11,043	9,592	20,635
Interest expense	(9,123)	(1,534)	(10,657)
Special assessment revenue	151,560	-	151,560
Change in investment in joint venture	68,542	-	68,542
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>222,022</u>	<u>8,058</u>	<u>230,080</u>
INCOME BEFORE TRANSFERS	272,287	68,278	340,565
Transfers in	-	2,200	2,200
Transfers out	(193,484)	-	(193,484)
CHANGE IN NET POSITION	78,803	70,478	149,281
Restated net position, beginning of year	<u>9,354,081</u>	<u>738,938</u>	<u>10,093,019</u>
Net position, end of year	<u><u>\$ 9,432,884</u></u>	<u><u>\$ 809,416</u></u>	<u><u>\$ 10,242,300</u></u>

See accompanying notes to financial statements.

**WATERTOWN CHARTER TOWNSHIP
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

	Sewage Disposal	Water Extension	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 678,379	\$ 170,635	\$ 849,014
Cash paid to suppliers for goods and services	<u>(413,471)</u>	<u>(101,812)</u>	<u>(515,283)</u>
Net cash provided by operating activities	264,908	68,823	333,731
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in (out)	(193,484)	2,200	(191,284)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital acquisitions	(96,360)	-	(96,360)
Cash received from other funds	76,311	-	76,311
Payments received on special assessments	146,368	34,792	181,160
Principal payments	(130,000)	(25,000)	(155,000)
Interest payments	<u>(11,223)</u>	<u>(1,938)</u>	<u>(13,161)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(14,904)</u>	<u>7,854</u>	<u>(7,050)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments	174,305	-	174,305
Purchase of investments	(1,316,371)	(321,038)	(1,637,409)
Interest received	<u>32,763</u>	<u>9,594</u>	<u>42,357</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(1,109,303)</u>	<u>(311,444)</u>	<u>(1,420,747)</u>
Net change in cash and cash equivalents	<u>(1,052,783)</u>	<u>(232,567)</u>	<u>(1,285,350)</u>
Cash and cash equivalents, beginning of year	<u>1,600,325</u>	<u>381,315</u>	<u>1,981,640</u>
Cash and cash equivalents, end of year	<u><u>\$ 547,542</u></u>	<u><u>\$ 148,748</u></u>	<u><u>\$ 696,290</u></u>

**WATERTOWN CHARTER TOWNSHIP
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (continued)
YEAR ENDED DECEMBER 31, 2020**

	<u>Sewage Disposal</u>	<u>Water Extension</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 50,265	\$ 60,220	\$ 110,485
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	217,022	-	217,022
(Increase) decrease in:			
Accounts receivable	21,758	-	21,758
Prepaid expenses	(33,773)	-	(33,773)
Increase in:			
Accounts payable	<u>9,636</u>	<u>8,603</u>	<u>18,239</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 264,908</u>	 <u>\$ 68,823</u>	 <u>\$ 333,731</u>

Note: The Township adjusted its equity interest in Southern Clinton County Municipal Utilities Authority (SCCMUA) operations in the Sewage Disposal Fund by \$68,542 to reflect the 2020 activity at SCCMUA.

**WATERTOWN CHARTER TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020**

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 119,826</u>
LIABILITIES	
Undistributed tax collections	<u>\$ 54,357</u>
NET POSITION	
Restricted for individuals and agencies	<u>\$ 65,469</u>

See accompanying notes to financial statements.

**WATERTOWN CHARTER TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2020**

	<u>Custodial Funds</u>
ADDITIONS	
Collection of taxes for other governments	\$ 12,712,962
DEDUCTIONS	
Payment of taxes collected for other governments	<u>12,712,962</u>
Net change in fiduciary net position	-
Restated net position, beginning of year	<u>65,469</u>
Net position, end of year	<u><u>\$ 65,469</u></u>

See accompanying notes to financial statements.

WATERTOWN CHARTER TOWNSHIP NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Watertown Charter Township, Michigan (the Township), was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of 16 townships in Clinton County. The Township operates under an appointed Township Manager and an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four Trustees and provides services to its residents in many areas including general government, highways and streets, fire protection, law enforcement, and sewer utility services.

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

Reporting Entity

These financial statements present the financial activities of the Township (primary government). The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township contain all the funds controlled by the Township Board.

Joint Ventures

Southern Clinton County Municipal Utilities Authority (SCCMUA)

The purpose of SCCMUA is to operate, maintain, administer, and manage a sewage disposal system for the benefit of the constituent municipalities.

The governing body of SCCMUA is appointed by the constituent municipalities, and representation is based upon the purchased capacity of each municipality. The Township is currently represented by two of the ten members of SCCMUA's board. The annual budget of the SCCMUA is submitted to the constituent municipalities and must be approved by a 2/3 vote of the members-elect of SCCMUA.

The members of SCCMUA and approximate percentage of ownership are as follows:

DeWitt Charter Township	56%
Bath Charter Township	17%
Watertown Township	16%
City of DeWitt	11%

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint Ventures (continued)

Southern Clinton County Municipal Utilities Authority (SCCMUA) (continued)

As of December 31, 2020, the date of the most recent audit report for SCCMUA, the Township's share of the Authority's net position was \$1,298,850. For the year ended December 31, 2020, the Township contributed \$381,422 to cover its share of operational costs and reserve activities. Separate financial statements for the Southern Clinton County Municipal Utilities Authority are available at the office of the Authority at 3671 W. Herbison Road, DeWitt, MI 48820.

Looking Glass Regional Fire Authority

The Township created a joint fire department with Eagle Township to be known as the Looking Glass Regional Fire Authority. The Authority provides fire protection services to the entire geographical area comprising Eagle Township and the Charter Township of Watertown, and may contract with other municipalities to provide fire protection services. Currently, the Authority is funded primarily through contributions from Watertown Charter Township (63%) and Eagle Township (37%). During the year ended December 31, 2020, the Township contributed \$415,830 to the Authority. Separate financial statements for the Looking Glass Regional Fire Authority are available at the office of the Authority at 7720 W. Grand River Avenue, Grand Ledge, MI 48837.

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. 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. The major individual governmental fund and the major individual enterprise funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental fund:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.

The Township reports the following major enterprise funds:

- The Sewage Disposal Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- The Water Extension Fund accounts for the operations and debt payments of the government's water distribution system, the costs (expenses) are financed or recovered primarily through user charges.

Additionally, the Township reports the following fund types:

- 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 custodial funds are fiduciary funds and account for escrow deposits and property tax collections held for other individuals and agencies.

Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues which are considered measurable, but not available, are recorded as a receivable and unavailable revenue. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

The proprietary and custodial funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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 costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The General Fund's budget was prepared on a basis consistent with U.S. generally accepted accounting principles and the same modified accrual basis used to reflect actual results. The budget is legally adopted at the departmental level.

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Township employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, the Township Manager submits a proposed operating budget for the fiscal year commencing the following January 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to December 31, the budget is adopted through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- d. Formal budgetary integration is employed as a management control device during the year.
- e. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments include pooled investment funds, U.S. Government Securities, and certificates of deposit with an original maturity of greater than three months from the date of acquisition. Investments are stated at fair value.

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents, and Investments (continued)

- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Receivables

Receivables consist of amounts due from various individuals, governments, and businesses related to charges for services, amounts owed to the Township from special assessments, grants, and taxes levied that have not been collected.

Property Tax

The Township bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1, and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection.

The Township's property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Although the Township's 2020 tax is levied and collectible on December 1, 2020, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations.

The Township is permitted to levy up to \$4.4823 per \$1,000 of taxable valuation for general governmental service. For the year ended December 31, 2020, the Township levied 4.4823 mills for general governmental services in December 2019. The total taxable value for the 2019 levy for the property within the Township was \$296,947,087.

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental and business-type activities columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than two years. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	15-40 years
Buildings and improvements	15-40 years
Sewage disposal system	34-40 years
Equipment	3-10 years
Vehicles	5-10 years

Deferred Inflows of Resources

In addition to liabilities, the balance sheet and the statement of net 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 fund balance/net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then.

The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from special assessments receivable and assets held for resale. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The Township also reports deferred inflows of resources in the government-wide financial statements and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods. In addition, deferred inflows of resources are reported in the government-wide and proprietary fund financial statements for special assessment collections on fire hydrant districts that were intended to cover the annual fire hydrant maintenance fees for the following year.

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Abatements

The Township received reduced property tax revenues during 2020 as a result of industrial facilities tax exemptions (IFT's).

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide 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. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the Township. Management has determined the reduction in property tax revenues to be immaterial to the financial statements.

Compensated Absences

In accordance with the Township personnel policies and/or contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of December 31, 2020, including related payroll taxes, is recorded entirely in the government-wide financial statements.

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.

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five fund balance classifications:

Non-spendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

For committed fund balance, Watertown Charter Township's highest level of decision-making authority is the Board of Trustees. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

For assigned fund balance, the Township Board of Trustees is authorized to assign amounts to a specific purpose. The authorization has been delegated by the Township Trustees to the Township Manager.

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.

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. The Township utilizes various investment instruments which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of December 31, 2020, the Township had deposits and investments subject to the following risks:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require, and the Township does not have, a policy for deposit custodial credit risk. As of December 31, 2020, \$6,644,965 of the Township's bank balance of \$9,354,029 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$6,907,114. The Township also had \$400 of cash on hand at year-end.

Custodial Credit Risk - Investments

For an investment, this 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. None of the Township's investments were exposed to custodial credit risk at year-end.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. Credit ratings for the Township's investments as of December 31, 2020 are disclosed below.

Interest Rate Risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the 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. Maturities of investments, where applicable, have been identified below for the Township's investments.

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the accounting policies. 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 below.

Foreign Currency Risk

The Township is not authorized to invest in investments which have this type of risk.

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

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>S&P Rating</u>
Michigan CLASS government investment pool	\$ 4,563,680	65 days	AAA
U.S. agencies			
FFCB Consolidated Systemwide Bonds	<u>200,002</u>	2 years	AA+
Total	<u><u>\$ 4,763,682</u></u>		

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Fair Value Measurements (continued)

The Township had the following fair value measurements as of December 31, 2020:

	Fair Value Measurements			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
FFCB Consolidated Systemwide Bonds	\$ -	\$ 200,002	\$ -	\$ 200,002

Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Investments in Entities that Calculate Net Asset Value per Share

The Township holds shares or interests in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. The Michigan CLASS investment pool investment in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program 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.

At the year ended December 31, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency if Eligible	Redemption Notice Period
Michigan Class	\$ 4,563,680	\$ -	No restrictions	None

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of December 31, 2020:

	Primary Government	Fiduciary Funds	Total
Cash and cash equivalents	\$ 2,729,483	\$ 119,826	\$ 2,849,309
Cash and cash equivalents - restricted	50,575	-	50,575
Investments	8,489,139	-	8,489,139
Investments - restricted	282,173	-	282,173
	<u>\$ 11,551,370</u>	<u>\$ 119,826</u>	<u>\$ 11,671,196</u>

NOTE 3 - RECEIVABLES

The following schedule details the Township's receivables as of December 31, 2020:

		General Fund/ Governmental Activities		
		\$ 87,606		
Accounts receivable		736,406		
Taxes		61,501		
Special assessments		175,349		
Due from other governmental units		<u>\$ 1,060,862</u>		
	Sewage Disposal Enterprise Fund	Water Extension Enterprise Fund	Total Business- Type Activities	Amounts Not Expected to be Collected Within One Year
Accounts receivable	\$ 24,702	\$ -	\$ 24,702	\$ -
Interest	-	3,246	3,246	-
Special assessments	254,311	20,637	274,948	135,734
	<u>\$ 279,013</u>	<u>\$ 23,883</u>	<u>\$ 302,896</u>	<u>\$ 135,734</u>

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year-end:

	General Fund	Government-wide Financial Statements	Total Governmental Activities
Accounts payable	\$ 41,195	\$ -	\$ 41,195
Accrued wages	25,909	-	25,909
Other liabilities	2,354	-	2,354
Accrued interest	-	565	565
	<u>\$ 69,458</u>	<u>\$ 565</u>	<u>\$ 70,023</u>
	Sewage Disposal Enterprise Fund	Water Extension Enterprise Fund	Total Business- Type Activities
Accounts payable	\$ 9,636	\$ 110,273	\$ 119,909
Accrued interest	2,018	404	2,422
	<u>\$ 11,654</u>	<u>\$ 110,677</u>	<u>\$ 122,331</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2020 was as follows:

Due to General Fund from:	
Water Extension Fund	<u>\$ 2,200</u>
Due to Sewage Disposal Fund from:	
Nonmajor governmental funds	<u>\$ 10,413</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable related to the primary government December 31, 2020:

Advance to Sewage Disposal Fund from:	
Nonmajor governmental fund	<u>\$ 86,724</u>

The advance was for the purpose of financing a capital project.

NOTE 7 - INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers.

Transfer to General Fund from:	
Sewage Disposal Fund	\$ 193,484
Nonmajor governmental funds	<u>5,000</u>
	<u>\$ 198,484</u>

Transfer to Water Extension Fund from:	
General Fund	<u>\$ 2,200</u>

Transfers were used to move unrestricted resources to finance operating costs that the Township must account for in other funds.

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance Jan. 1, 2020	Additions	Deletions	Balance Dec. 31, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 93,846	\$ -	\$ -	\$ 93,846
Capital assets being depreciated				
Land improvements	103,375	-	-	103,375
Buildings and improvements	267,247	-	-	267,247
Equipment	90,649	-	-	90,649
Vehicles	29,763	-	-	29,763
Total capital assets being depreciated	491,034	-	-	491,034
Less accumulated depreciation for:				
Land improvements	(25,841)	(2,584)	-	(28,425)
Buildings and improvements	(175,197)	(6,855)	-	(182,052)
Equipment	(81,853)	(6,713)	-	(88,566)
Vehicles	(29,763)	-	-	(29,763)
Total accumulated depreciation	(312,654)	(16,152)	-	(328,806)
Net capital assets being depreciated	178,380	(16,152)	-	162,228
Net capital assets	\$ 272,226	\$ (16,152)	\$ -	\$ 256,074

Depreciation expense was changed to the following governmental activities:

General government	\$ 11,921
Recreation and culture	4,231
	<u>\$ 16,152</u>

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - CAPITAL ASSETS (continued)

	Balance Jan. 1, 2020	Additions	Deletions	Balance Dec. 31, 2020
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 82,887	\$ -	\$ -	\$ 82,887
Construction in progress	-	96,360	-	96,360
Total capital assets not being depreciated	82,887	96,360	-	179,247
Capital assets being depreciated				
Sewage disposal system	8,678,889	-	-	8,678,889
Less accumulated depreciation for:				
Sewage disposal system	(4,172,094)	(217,022)	-	(4,389,116)
Net capital assets being depreciated	4,506,795	(217,022)	-	4,289,773
Net capital assets	<u>\$ 4,589,682</u>	<u>\$ (120,662)</u>	<u>\$ -</u>	<u>\$ 4,469,020</u>

Depreciation expense was changed to the following business-type activities:

Sewage disposal	<u>\$ 217,022</u>
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**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the Township for the year ended December 31, 2020:

	Balance Jan. 1, 2020	Additions	Deletions	Balance Dec. 31, 2020	Amount Due Within One Year
Governmental Activities					
Bonded debt					
Special assessment bonds 2006B - Road	\$ 70,000	\$ -	\$ (35,000)	\$ 35,000	\$ 35,000
Other long-term obligations					
Compensated absences	45,379	44,302	(25,435)	64,246	36,010
Total governmental activities	115,379	44,302	(60,435)	99,246	71,010
Business-Type Activities					
Bonded debt					
Special assessment bonds 2006B (590)	255,000	-	(130,000)	125,000	125,000
Special assessment bonds 2006B (591)	50,000	-	(25,000)	25,000	25,000
Total business-type activities	305,000	-	(155,000)	150,000	150,000
Total long-term obligations	\$ 420,379	\$ 44,302	\$ (215,435)	\$ 249,246	\$ 221,010

Significant details regarding outstanding long-term obligations (including current portion) are presented below:

Special Assessment Bonds

Governmental Activities

\$535,000 special assessment bonds due in an annual installment of \$35,000 on August 1, 2021, with interest at 3.875%. \$ 35,000

Business-Type Activities

\$2,010,000 special assessment bonds due in an annual installment of \$125,000 on August 1, 2021, with interest at 3.875% \$ 125,000

\$395,000 special assessment bonds due in an annual installment of \$25,000 on August 1, 2021, with interest at 3.875% 25,000

\$ 185,000

The annual requirements to pay the debt principal and interest outstanding for the bonds are as follows:

Year Ending December 31,	Bonded Debt			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	<u>\$ 35,000</u>	<u>\$ 1,356</u>	<u>\$ 150,000</u>	<u>\$ 5,808</u>

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

Compensated Absences

In accordance with the Township personnel policies and/or contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$64,246 for vacation and sick at December 31, 2020. Of this amount, \$36,010 has been reported as a current liability and \$28,236 has been reported as a noncurrent liability.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN

The Watertown Charter Township Group Pension Plan is a defined contribution pension plan established by the Township to provide retirement benefits to all participating full-time employees of the Township. The Township has an agreement with Michigan Employees Retirement System (MERS) to administer the Plan. Plan provisions and contribution requirements are established and may be amended by the Township Board. The Township is required to contribute from 8% of employee gross earnings, and the Township matches employee contributions up to 6%. Employee contributions are optional. Employee contributions vest immediately, whereas employer contributions vest at a rate of 20% per year.

For the year ended December 31, 2020, the Township's contributions to the Plan totaled \$74,587. Employee contributions were \$48,163.

NOTE 11 - RISK MANAGEMENT

The Township participates in the Michigan Township Participating Plan (the Plan) with other municipalities for auto, employee benefits, property, public officials, electronic data processing (EDP), crime, inland marine, boiler and machinery, and liability losses. The Plan is organized under Public Act 138 of 1982, as amended. The Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to the transfer of risk to U.S. Specialty Insurance Company ("USSIC") backing the Michigan Township Participating Plan under a master policy. Due to this Master Policy purchase, there is no pooling of risk between members but instead it is commercial insurance. Settled claims relating to this insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Township participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

NOTE 12 - CONTINGENT LIABILITY

The Township participates in a number of grant programs which are subject to compliance audits and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Township expects such amounts, if any, to be immaterial.

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - STATE CONSTRUCTION CODE ACT COMPLIANCE

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal governments to establish fees that bear a reasonable relationship to the cost of operating their building departments, effective January 1, 2000. The Township has elected to record this activity in the General Fund.

The following is the required information as it relates to the building department for the year ended December 31, 2020:

REVENUES	
Building fee revenue	\$ 271,796
EXPENDITURES	
Planning and zoning	<u>371,748</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(99,952)
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(174,018)</u>
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u><u>\$ (273,970)</u></u>

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The Township has two funds that meet the criteria (custodial funds for tax collections and agency activities), which are presented in a statement of fiduciary net position and a statement of changes in fiduciary net position. As a result of the adoption of GASB Statement No. 84, beginning net position of the Custodial Fund was restated by \$65,469.

NOTE 15 - UNCERTAINTIES

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Township expects this matter to potentially negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 16 - DETAILS OF FUND BALANCE CLASSIFICATIONS

Fund balance classifications as of December 31, 2020 were:

	General Fund	Nonmajor Governmental Funds	Total
Nonspendable			
Prepays	\$ 711	\$ -	\$ 711
Advance to other funds	-	86,724	86,724
Assets held for resale	40,120	-	40,120
	<hr/>	<hr/>	<hr/>
Total nonspendable	40,831	86,724	127,555
Restricted			
Debt service	259,516	-	259,516
	<hr/>	<hr/>	<hr/>
Committed			
Parks	104,900	-	104,900
Other properties	81,300	-	81,300
Office building and grounds	476,842	-	476,842
Roads and bridges	945,886	-	945,886
Fire expenditures and capital improvements	1,097,147	-	1,097,147
Legal expenditures	235,500	-	235,500
Capital projects	70,000	-	70,000
Other purposes	126,100	-	126,100
Township improvement revolving	-	155,838	155,838
Cemetery improvement	-	63,894	63,894
	<hr/>	<hr/>	<hr/>
Total committed	3,137,675	219,732	3,357,407
Assigned			
Township hall	1,310,598	-	1,310,598
	<hr/>	<hr/>	<hr/>
Unassigned	1,485,529	-	1,485,529
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	<u><u>\$ 6,234,149</u></u>	<u><u>\$ 306,456</u></u>	<u><u>\$ 6,540,605</u></u>

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 17 - RESTATEMENT/PRIOR PERIOD ADJUSTMENT

Beginning net position for governmental activities, business-type activities, Sewage Disposal Fund, and the Custodial Fund, and beginning fund balance for the General Fund have been adjusted to correct accounting errors and the implementation of new accounting standards as noted below:

Description of correction	General Fund	Sewage Disposal Fund	Governmental Activities	Business-Type Activities	Custodial Fund
Beginning fund balance/net position	\$ 5,601,786	\$ 9,331,037	\$ 6,177,930	\$ 10,069,975	\$ -
Understated unavailable revenue	(3,680)	-	-	-	-
Understated special assessment receivable	-	23,044	-	23,044	-
Equity interest in joint venture	-	-	767,905	-	-
Implementation of GASB Statement No. 84	-	-	-	-	65,469
Restated beginning net position	<u>\$ 5,598,106</u>	<u>\$ 9,354,081</u>	<u>\$ 6,945,835</u>	<u>\$ 10,093,019</u>	<u>\$ 65,469</u>

NOTE 18 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement will increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022 fiscal year.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023 year.

REQUIRED SUPPLEMENTARY INFORMATION

**WATERTOWN CHARTER TOWNSHIP
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 1,448,583	\$ 1,448,583	\$ 1,438,884	\$ (9,699)
Special assessments	68,478	68,478	72,792	4,314
Licenses and permits	211,795	364,195	433,985	69,790
Intergovernmental	453,788	453,788	459,376	5,588
Charges for services	23,955	23,955	43,659	19,704
Interest and rents	89,126	89,126	125,478	36,352
Contributions and donations	2,116	2,116	15,945	13,829
TOTAL REVENUES	2,297,841	2,450,241	2,590,119	139,878
EXPENDITURES				
Current				
General government				
Township board	54,858	54,858	44,344	10,514
Supervisor	34,917	34,917	31,715	3,202
Board of review	2,403	2,403	1,190	1,213
Clerk	86,815	86,815	82,685	4,130
Attorney	15,000	15,000	4,094	10,906
Treasurer	92,828	92,828	85,184	7,644
Assessor	76,200	76,200	75,008	1,192
Elections	33,350	33,350	30,167	3,183
Building and grounds	176,976	176,976	156,987	19,989
General services administration	612,402	612,402	532,901	79,501
Other property	104,685	104,685	98,570	6,115
Insurance and bonds	41,460	41,460	28,864	12,596
Total general government	1,331,894	1,331,894	1,171,709	160,185
Public safety				
Public safety and health	436,768	436,768	417,500	19,268
Building inspection	631	631	-	631
Total public safety	437,399	437,399	417,500	19,899

**WATERTOWN CHARTER TOWNSHIP
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (continued)				
Current (continued)				
Public works				
Cemetery	\$ 13,772	\$ 13,772	\$ 3,693	\$ 10,079
Drains at large	18,000	24,500	27,225	(2,725)
Highways and streets	200,000	200,000	78,745	121,255
Street lighting	31,661	32,536	28,705	3,831
Total public works	263,433	270,808	138,368	132,440
Community and economic development				
Planning and zoning	211,562	366,462	371,748	(5,286)
Recreation and culture				
Parks and recreation	7,025	7,025	6,452	573
Debt service	37,803	37,803	36,446	1,357
Capital outlay	297,000	297,000	8,137	288,863
TOTAL EXPENDITURES	2,586,116	2,748,391	2,150,360	598,031
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(288,275)	(298,150)	439,759	737,909
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	5,000	198,484	193,484
Transfers out	-	-	(2,200)	(2,200)
TOTAL OTHER FINANCING SOURCES (USES)	5,000	5,000	196,284	191,284
Net change in fund balance	(283,275)	(293,150)	636,043	929,193
Fund balance, beginning of year	5,601,786	5,601,786	5,601,786	-
Prior period adjustment	-	-	(3,680)	(3,680)
Fund balance, end of year	\$ 5,318,511	\$ 5,308,636	\$ 6,234,149	\$ 925,513

**WATERTOWN CHARTER TOWNSHIP
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020**

NOTE 1 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The Township's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budget of the Township has been adopted at the department level.

During the year ended December 31, 2020, the Township incurred expenditures in excess of the amounts appropriated as follows: December 31, 2020

	<u>Amount Appropriated</u>	<u>Amount Expended</u>	<u>Variance</u>
General Fund			
Current			
Public works			
Drains at large	\$ 24,500	\$ 27,225	\$ 2,725
Community and economic development			
Planning and zoning	366,462	371,748	5,286
Transfers out	-	2,200	2,200

OTHER SUPPLEMENTARY INFORMATION

**WATERTOWN CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2020**

	Capital Projects		
	Township Improvement Revolving	Cemetery Improvement	Total
ASSETS			
Cash and cash equivalents	\$ 21,021	\$ 11,377	\$ 32,398
Investments	145,230	52,517	197,747
Advance to other funds	86,724	-	86,724
TOTAL ASSETS	<u>\$ 252,975</u>	<u>\$ 63,894</u>	<u>\$ 316,869</u>
LIABILITIES			
Due to other funds	\$ 10,413	\$ -	\$ 10,413
FUND BALANCES			
Nonspendable	86,724	-	86,724
Committed	155,838	63,894	219,732
TOTAL FUND BALANCES	<u>242,562</u>	<u>63,894</u>	<u>306,456</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 252,975</u>	<u>\$ 63,894</u>	<u>\$ 316,869</u>

**WATERTOWN CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2020**

	Capital Projects		
	Township Improvement Revolving	Cemetery Improvement	Total
REVENUES			
Charges for services	\$ -	\$ 3,840	\$ 3,840
Interest	3,957	383	4,340
TOTAL REVENUES	3,957	4,223	8,180
EXPENDITURES			
Current			
Public works	-	1,199	1,199
EXCESS OF REVENUES OVER EXPENDITURES	3,957	3,024	6,981
OTHER FINANCING (USES)			
Transfers out	-	(5,000)	(5,000)
NET CHANGE IN FUND BALANCES	3,957	(1,976)	1,981
Fund balances, beginning of year	238,605	65,870	304,475
Fund balances, end of year	\$ 242,562	\$ 63,894	\$ 306,456

**WATERTOWN CHARTER TOWNSHIP
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020**

	Custodial Funds		
	Custodial	Current Tax Collections	Total
ASSETS			
Cash and cash equivalents	\$ 65,469	\$ 54,357	\$ 119,826
LIABILITIES			
Undistributed tax collections	-	54,357	54,357
NET POSITION			
Restricted for individuals and agencies	\$ 65,469	\$ -	\$ 65,469

**WATERTOWN CHARTER TOWNSHIP
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2020**

	Custodial Funds		
	Custodial	Current Tax Collections	Total
ADDITIONS			
Collection of taxes for other governments	\$ -	\$ 12,712,962	\$ 12,712,962
DEDUCTIONS			
Payment of taxes collected for other governments	-	12,712,962	12,712,962
Net change in fiduciary net position	-	-	-
Restated net position, beginning of year	65,469	-	65,469
Net position, end of year	<u>\$ 65,469</u>	<u>\$ -</u>	<u>\$ 65,469</u>