

WATERTOWN CHARTER TOWNSHIP
REPORT ON FINANCIAL STATEMENTS
(with required and other
supplementary information)
YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees of
Watertown Charter Township
Clinton County, Michigan

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Watertown Charter Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Watertown Charter Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules, 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 16, 2022

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, 2021. 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, 2021:

- Property tax revenue related to the Township's governmental activities increased by \$75,132.
- The Township's governmental funds fund balance decreased by \$60,565.
- The Township increased net position in 2021 by \$68,336.

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.

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.

WATERTOWN CHARTER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

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 five 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, Fire and EMS Fund, and ARPA Grant Fund, which are major funds. 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 and special revenue funds. A budgetary comparison statement has been provided for the General Fund and major special revenue funds 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 23-41 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 budgetary comparison schedules. Combining 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, 2021 and December 31, 2020:

	Governmental Activities		Business-Type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and other assets	\$ 9,852,131	\$ 8,944,105	\$ 6,213,163	\$ 6,104,124	\$ 16,065,294	\$ 15,048,229
Capital assets	286,308	256,074	4,271,134	4,469,020	4,557,442	4,725,094
TOTAL ASSETS	10,138,439	9,200,179	10,484,297	10,573,144	20,622,736	19,773,323
LIABILITIES AND NET POSITION						
LIABILITIES						
Current liabilities	449,423	141,033	111,534	272,331	560,957	413,364
Noncurrent liabilities	21,340	28,236	-	-	21,340	28,236
TOTAL LIABILITIES	470,763	169,269	111,534	272,331	582,297	441,600
DEFERRED INFLOWS OF RESOURCES	2,066,709	1,498,279	31,360	58,513	2,098,069	1,556,792
NET POSITION						
Investment in capital assets	286,308	221,074	4,271,134	4,344,020	4,557,442	4,565,094
Restricted	262,489	259,516	56,128	70,810	318,617	330,326
Unrestricted	7,052,170	7,052,041	6,014,141	5,827,470	13,066,311	12,879,511
TOTAL NET POSITION	\$ 7,600,967	\$ 7,532,631	\$ 10,341,403	\$ 10,242,300	\$ 17,942,370	\$ 17,774,931

Net position may serve over time as a useful indicator of a government's financial position. The Township's assets exceeded liabilities by \$17,942,370 as of December 31, 2021. A portion of the Township's net position (25%) 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 (currently none). It is important to understand that although capital assets like sewer lines appear as a financial asset, they are not an asset that can be sold to meet liabilities. The Township uses these capital assets to provide services to citizens. 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 \$13,066,311 may be used to meet the Township's ongoing obligations to citizens and creditors. The township board operated in a financially conservative way. In doing so, the township has the practice of saving for future township wide needs in advance. Although the unrestricted net position may appear to be a large number, these funds are mostly set aside for future projects.

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 \$167,439 during the current year as indicated below. This increase was due to careful spending and delaying several projects due to the labor shortage and the associated increased costs for basic projects.

WATERTOWN CHARTER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
REVENUE						
Program Revenue						
Charges for service	\$ 687,991	\$ 630,064	\$ 953,284	\$ 906,235	\$ 1,641,275	\$ 1,536,299
Operating grants and contributions	139,133	49,805	-	-	139,133	49,805
Capital grants and contributions	-	-	-	151,560	-	151,560
General Revenue						
Property taxes	1,398,812	1,323,680	-	-	1,398,812	1,323,680
State shared revenue	591,153	427,197	-	-	591,153	427,197
Investment earnings	16,219	108,581	9,322	10,198	25,541	118,779
Miscellaneous	14,661	15,455	-	-	14,661	15,455
Transfers	(55,930)	191,284	55,930	(191,284)	-	-
TOTAL REVENUE	2,792,039	2,746,066	1,018,536	876,709	3,810,575	3,622,775
PROGRAM EXPENSES						
General government	1,236,234	1,206,508	-	-	1,236,234	1,206,508
Public safety	484,711	425,758	-	-	484,711	425,758
Public works	559,955	139,567	-	-	559,955	139,567
Community and economic development	428,510	375,874	-	-	428,510	375,874
Recreation and culture	13,375	10,683	-	-	13,375	10,683
Sewer system	-	-	808,196	615,479	808,196	615,479
Water system	-	-	111,237	111,949	111,237	111,949
Interest on long-term debt	918	880	-	-	918	880
TOTAL PROGRAM EXPENSES	2,723,703	2,159,270	919,433	727,428	3,643,136	2,886,698
Change in net position	<u>\$ 68,336</u>	<u>\$ 586,796</u>	<u>\$ 99,103</u>	<u>\$ 149,281</u>	<u>\$ 167,439</u>	<u>\$ 736,077</u>

Governmental Activities

Governmental activities increased the Township's net position by \$68,336 during fiscal year 2021. Key elements of this decrease are as follows:

The Township's governmental activities' revenues totaled \$2,792,039, an increase from the prior year governmental activities' revenue of \$2,746,066. The Township's revenue sources increased less than 1%. There was an increase in operating grants and contributions of \$89,328 and an increase in state shared revenue of \$163,956, which was unexpected and partially due the final census counts.

These expenses are associated with providing general government services and public works, which includes road improvements. The Township incurred governmental expenses of \$2,723,703 during 2021, an increase of approximately 26% from 2020. The majority of the increase was due to delayed projects from the pandemic in 2020 that were moved to the 2021 construction season.

Business-Type Activities

Business-type activities increased the Township's net position by \$99,103 during fiscal year 2021. During the year the Township decreased its equity interest in the Southern Clinton County Municipal Utilities Authority (SCCMUA), this is a result of the current year operations of the SCCMUA, the Township has not changed any ownership in SCCMUA. The majority (96%) of the revenue of the business-type activities is generated through user charges from those receiving the service.

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 13, 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 funds for the fiscal year ended December 31, 2021, were the General Fund, Fire and EMS Fund, and ARPA Grant 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 \$1,212,545 for the fiscal year. General government services are partially supported by property taxes and State revenue sharing.

The Fire and EMS Fund was created during the year to account for taxes receivable that were levied in December 2021 for the 2022 fiscal year. At December 31, 2021, there was no fund balance.

The ARPA Grant Fund was also created during the year to account for grant funds received for the American Rescue Plan Act. The ARPA Grant Fund did not incur any expenditures as the Township is still evaluating how to best utilize this funding. At December 31, 2021, there was no fund balance.

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 \$5,121,007 and \$893,134, respectively. The increase in net position for the Sewage Disposal Fund for the fiscal year was \$10,256. Net position for the Water Extension Fund increased by \$88,447 in 2021. 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 were increased by \$192,925 to account for additional licenses and permits. Actual revenues came in \$195,967 more than the amended budget due to additional licenses and permits and State shared revenue. Budgetary basis expenditures were increased \$196,025, primarily for additional planning and zoning activities. Actual expenditures came in \$52,523 under budget, due primarily to a delay in capital outlay projects.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had approximately \$9,505,210 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 7 on pages 36 and 37 for further details related to the Township's capital assets.

WATERTOWN CHARTER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Obligations. The Township made principal payments on existing obligations in the amount of \$185,000 to pay off outstanding bonded debt. The carrying amount of the Township's obligation for compensated absences decreased by \$4,006. Refer to Note 8 on page 38 for further details related to the Township's long-term obligations.

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, 2021**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,343,506	\$ 1,170,121	\$ 3,513,627
Cash and cash equivalents - restricted	1,977	378	2,355
Investments	4,586,054	3,606,684	8,192,738
Investments - restricted	260,512	55,750	316,262
Receivables	1,691,932	64,042	1,755,974
Due from other governmental units	204,148	-	204,148
Internal balances	(178,063)	178,063	-
Assets held for resale	40,120	-	40,120
Prepays	1,161	-	1,161
Total current assets	8,951,347	5,075,038	14,026,385
Noncurrent assets			
Investment in joint venture	793,363	1,138,125	1,931,488
Special assessments	107,421	-	107,421
Capital assets not being depreciated	110,940	82,887	193,827
Capital assets, net of accumulated depreciation	175,368	4,188,247	4,363,615
Total noncurrent assets	1,187,092	5,409,259	6,596,351
TOTAL ASSETS	10,138,439	10,484,297	20,622,736
LIABILITIES			
Current liabilities			
Accounts payable	92,047	111,534	203,581
Accrued liabilities	31,579	-	31,579
Unearned revenue	286,897	-	286,897
Current portion of compensated absences	38,900	-	38,900
Total current liabilities	449,423	111,534	560,957
Noncurrent liabilities			
Noncurrent portion of compensated absences	21,340	-	21,340
TOTAL LIABILITIES	470,763	111,534	582,297
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent year	2,066,709	-	2,066,709
Assessment collections for subsequent periods	-	31,360	31,360
TOTAL DEFERRED INFLOWS OF RESOURCES	2,066,709	31,360	2,098,069
NET POSITION			
Investment in capital assets	286,308	4,271,134	4,557,442
Restricted	262,489	56,128	318,617
Unrestricted	7,052,170	6,014,141	13,066,311
TOTAL NET POSITION	\$ 7,600,967	\$ 10,341,403	\$ 17,942,370

See accompanying notes to financial statements.

**WATERTOWN CHARTER TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities						
General government	\$ 1,236,234	\$ 137,913	\$ 59,977	\$ (1,038,344)	\$ -	\$ (1,038,344)
Public safety	484,711	26,530	-	(458,181)	-	(458,181)
Public works	559,955	199,792	79,156	(281,007)	-	(281,007)
Community and economic development	428,510	320,711	-	(107,799)	-	(107,799)
Recreation and culture	13,375	3,045	-	(10,330)	-	(10,330)
Interest on long-term debt	918	-	-	(918)	-	(918)
Total governmental activities	2,723,703	687,991	139,133	(1,896,579)	-	(1,896,579)
Business-type activities						
Sewage disposal	808,196	752,725	-	-	(55,471)	(55,471)
Water extension	111,237	200,559	-	-	89,322	89,322
Total business-type activities	919,433	953,284	-	-	33,851	33,851
TOTAL	\$ 3,643,136	\$ 1,641,275	\$ 139,133	(1,896,579)	33,851	(1,862,728)
General revenues						
Property taxes				1,398,812	-	1,398,812
State shared revenue				591,153	-	591,153
Investment earnings				16,219	9,322	25,541
Miscellaneous				14,661	-	14,661
Transfers				(55,930)	55,930	-
Total general revenues and transfers				1,964,915	65,252	2,030,167
Change in net position				68,336	99,103	167,439
Net position, beginning of the year				7,532,631	10,242,300	17,774,931
Net position, end of the year				\$ 7,600,967	\$ 10,341,403	\$ 17,942,370

See accompanying notes to financial statements.

**WATERTOWN CHARTER TOWNSHIP
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2021**

	General	Fire and EMS	ARPA Grant	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 1,889,418	\$ 112,554	\$ 286,897	\$ 54,637	\$ 2,343,506
Cash and cash equivalents - restricted	1,977	-	-	-	1,977
Investments	4,316,723	-	-	269,331	4,586,054
Investments - restricted	260,512	-	-	-	260,512
Receivables					
Accounts	81,775	-	-	-	81,775
Taxes	1,183,631	380,610	-	-	1,564,241
Special assessments	30,675	-	-	122,662	153,337
Due from other governmental units	204,148	-	-	-	204,148
Due from other funds	2,200	-	-	-	2,200
Assets held for resale	40,120	-	-	-	40,120
Prepays	1,161	-	-	-	1,161
TOTAL ASSETS	\$ 8,012,340	\$ 493,164	\$ 286,897	\$ 446,630	\$ 9,239,031
LIABILITIES					
Accounts payable	\$ 92,047	\$ -	\$ -	\$ -	\$ 92,047
Accrued wages	26,790	-	-	-	26,790
Due to other funds	-	-	-	180,263	180,263
Other liabilities	4,789	-	-	-	4,789
Unearned revenue	-	-	286,897	-	286,897
TOTAL LIABILITIES	123,626	-	286,897	180,263	590,786
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied for subsequent year	1,573,545	493,164	-	-	2,066,709
Unavailable revenue	135,222	-	-	107,421	242,643
TOTAL DEFERRED INFLOWS OF RESOURCES	1,708,767	493,164	-	107,421	2,309,352
FUND BALANCES					
Nonspendable	41,281	-	-	-	41,281
Restricted	262,489	-	-	-	262,489
Committed	3,045,175	-	-	158,946	3,204,121
Assigned	1,430,598	-	-	-	1,430,598
Unassigned	1,400,404	-	-	-	1,400,404
TOTAL FUND BALANCES	6,179,947	-	-	158,946	6,338,893
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 8,012,340	\$ 493,164	\$ 286,897	\$ 446,630	\$ 9,239,031

See accompanying notes to financial statements.

**WATERTOWN CHARTER TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021**

Total fund balances - governmental funds \$ 6,338,893

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	\$	627,938
Accumulated depreciation is		<u>(341,630)</u>

Capital assets, net		286,308
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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.		793,363
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Long-term receivables are not available to pay for current period expenditures and are therefore unavailable in the funds.		242,643
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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:

Compensated absences		<u>(60,240)</u>
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Net position of governmental activities		<u><u>\$ 7,600,967</u></u>
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**WATERTOWN CHARTER TOWNSHIP
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2021**

	General	Fire and EMS	ARPA Grant	Nonmajor Governmental Funds	Total
REVENUES					
Taxes	\$ 1,522,179	\$ -	\$ -	\$ -	\$ 1,522,179
Special assessments	63,202	-	-	33,726	96,928
Licenses and permits	513,343	-	-	-	513,343
Intergovernmental	565,738	-	-	-	565,738
Charges for services	23,802	-	-	11,820	35,622
Interest and rents	35,344	-	-	4,021	39,365
Other	15,698	-	-	-	15,698
TOTAL REVENUES	2,739,306	-	-	49,567	2,788,873
EXPENDITURES					
Current					
General government	1,212,545	-	-	-	1,212,545
Public safety	484,700	-	-	-	484,700
Public works	565,029	-	-	-	565,029
Community and economic development	429,512	-	-	-	429,512
Recreation and culture	4,971	-	-	-	4,971
Debt service	36,484	-	-	-	36,484
Capital outlay	60,267	-	-	-	60,267
TOTAL EXPENDITURES	2,793,508	-	-	-	2,793,508
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(54,202)	-	-	49,567	(4,635)
OTHER FINANCING (USES)					
Transfers out	-	-	-	(55,930)	(55,930)
NET CHANGE IN FUND BALANCES	(54,202)	-	-	(6,363)	(60,565)
Fund balances, beginning of year	6,234,149	-	-	306,456	6,540,605
Prior period adjustment	-	-	-	(141,147)	(141,147)
Fund balances, end of year	\$ 6,179,947	\$ -	\$ -	\$ 158,946	\$ 6,338,893

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, 2021

Net change in fund balances - total governmental funds **\$ (60,565)**

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:

Capital outlay	\$	43,058
Depreciation expense		<u>(12,824)</u>

Excess of capital outlay over depreciation expense	30,234
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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:

Increase in unavailable revenue	25,380
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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:

Increase in equity interest in Looking Glass Regional Fire Authority	33,716
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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
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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	565	
Decrease in accrued compensated absences		<u>4,006</u>

4,571

Change in net position of governmental activities	<u>\$ 68,336</u>
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**WATERTOWN CHARTER TOWNSHIP
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	<u>Sewage Disposal</u>	<u>Water Extension</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 964,607	\$ 205,514	\$ 1,170,121
Cash and cash equivalents - restricted	290	88	378
Investments	2,777,216	829,468	3,606,684
Investments - restricted	50,709	5,041	55,750
Receivables			
Accounts	58,996	-	58,996
Interest	-	3,246	3,246
Special assessments	1,800	-	1,800
Due from other funds	180,263	-	180,263
	<u>4,033,881</u>	<u>1,043,357</u>	<u>5,077,238</u>
Total current assets			
Noncurrent assets			
Investment in SCCMUA	1,138,125	-	1,138,125
Capital assets not being depreciated	82,887	-	82,887
Capital assets, net of accumulated depreciation	4,188,247	-	4,188,247
	<u>5,409,259</u>	<u>-</u>	<u>5,409,259</u>
Total noncurrent assets			
TOTAL ASSETS	<u>9,443,140</u>	<u>1,043,357</u>	<u>10,486,497</u>
LIABILITIES			
Current liabilities			
Accounts payable	-	111,534	111,534
Due to other funds	-	2,200	2,200
	<u>-</u>	<u>113,734</u>	<u>113,734</u>
TOTAL LIABILITIES	<u>-</u>	<u>113,734</u>	<u>113,734</u>
DEFERRED INFLOWS OF RESOURCES			
Assessment collections for subsequent periods	-	31,360	31,360
	<u>-</u>	<u>31,360</u>	<u>31,360</u>
NET POSITION			
Investment in capital assets	4,271,134	-	4,271,134
Restricted for debt service	50,999	5,129	56,128
Unrestricted	5,121,007	893,134	6,014,141
	<u>9,443,140</u>	<u>898,263</u>	<u>10,341,403</u>
TOTAL NET POSITION	<u>\$ 9,443,140</u>	<u>\$ 898,263</u>	<u>\$ 10,341,403</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, 2021**

	Sewage Disposal	Water Extension	Total
OPERATING REVENUES			
User fee charges	\$ 599,020	\$ 115,885	\$ 714,905
Hook-up fees and permits	150,500	83,600	234,100
TOTAL OPERATING REVENUES	749,520	199,485	949,005
OPERATING EXPENSES			
Administrative charges	19,732	-	19,732
Sewage plant administration	407,891	-	407,891
Other operating costs	-	110,672	110,672
Depreciation	217,022	-	217,022
TOTAL OPERATING EXPENSES	644,645	110,672	755,317
OPERATING INCOME	104,875	88,813	193,688
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	13,002	599	13,601
Interest expense	(2,826)	(565)	(3,391)
Change in investment in joint venture	(160,725)	-	(160,725)
TOTAL NONOPERATING REVENUES (EXPENSES)	(150,549)	34	(150,515)
INCOME (LOSS) BEFORE TRANSFERS	(45,674)	88,847	43,173
Transfers in	55,930	-	55,930
CHANGE IN NET POSITION	10,256	88,847	99,103
Net position, beginning of year	9,432,884	809,416	10,242,300
Net position, end of year	\$ 9,443,140	\$ 898,263	\$ 10,341,403

See accompanying notes to financial statements.

**WATERTOWN CHARTER TOWNSHIP
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021**

	Sewage Disposal	Water Extension	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 715,226	\$ 172,332	\$ 887,558
Cash paid to suppliers for goods and services	<u>(403,486)</u>	<u>(109,411)</u>	<u>(512,897)</u>
Net cash provided by operating activities	<u>311,740</u>	<u>62,921</u>	<u>374,661</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	<u>55,930</u>	<u>-</u>	<u>55,930</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital acquisitions	(19,136)	-	(19,136)
Cash paid to other funds	(115,427)	-	(115,427)
Payments received on special assessments	111,364	20,637	132,001
Principal payments	(125,000)	(25,000)	(150,000)
Interest payments	<u>(4,844)</u>	<u>(969)</u>	<u>(5,813)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(153,043)</u>	<u>(5,332)</u>	<u>(158,375)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity of investments	763,493	-	763,493
Purchase of investments	(573,767)	(1,334)	(575,101)
Interest received	<u>13,002</u>	<u>599</u>	<u>13,601</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>202,728</u>	<u>(735)</u>	<u>201,993</u>
Net change in cash and cash equivalents	417,355	56,854	474,209
Cash and cash equivalents, beginning of year	<u>547,542</u>	<u>148,748</u>	<u>696,290</u>
Cash and cash equivalents, end of year	<u><u>\$ 964,897</u></u>	<u><u>\$ 205,602</u></u>	<u><u>\$ 1,170,499</u></u>

See accompanying notes to financial statements.

**WATERTOWN CHARTER TOWNSHIP
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (continued)
 YEAR ENDED DECEMBER 31, 2021**

	<u>Sewage Disposal</u>	<u>Water Extension</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 104,875	\$ 88,813	\$ 193,688
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	217,022	-	217,022
(Increase) decrease in:			
Accounts receivable	(34,294)	-	(34,294)
Prepaid expenses	33,773	-	33,773
Increase (decrease) in:			
Accounts payable	(9,636)	1,261	(8,375)
Assessment collections for subsequent periods	<u>-</u>	<u>(27,153)</u>	<u>(27,153)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 311,740</u>	 <u>\$ 62,921</u>	 <u>\$ 374,661</u>

Note: The Township adjusted its equity interest in Southern Clinton County Municipal Utilities Authority (SCCMUA) operations in the Sewage Disposal Fund by \$160,725 to reflect the 2021 activity at SCCMUA.

**WATERTOWN CHARTER TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2021**

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 1,040,118</u>
LIABILITIES	
Undistributed tax collections	<u>\$ 975,036</u>
NET POSITION	
Restricted for individuals and agencies	<u>\$ 65,082</u>

**WATERTOWN CHARTER TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2021**

	<u>Custodial Funds</u>
ADDITIONS	
Collection of taxes for other governments	\$ 9,494,424
DEDUCTIONS	
Payment of taxes collected for other governments	9,494,424
Return of deposits received	<u>387</u>
Total deductions	<u>9,494,811</u>
Net change in fiduciary net position	(387)
Net position, beginning of year	<u>65,469</u>
Net position, end of year	<u><u>\$ 65,082</u></u>

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, 2021, the date of the most recent audit report for SCCMUA, the Township's share of the Authority's net position was \$1,138,125. For the year ended December 31, 2021, the Township contributed \$407,891 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, 2021, the Township contributed \$444,673 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 funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

The Township reports the following *major governmental funds*:

- 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 Fire and EMS Fund is used to account for public safety activities within the Township. Funding is provided in part through a local property tax levy.
- The ARPA Grant Fund is used to account for the restricted resources provided by the American Rescue Plan Act.

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.

WATERTOWN CHARTER TOWNSHIP NOTES TO FINANCIAL STATEMENTS

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

Measurement Focus (continued)

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.

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 and major special revenue fund budgets shown as required supplementary information were 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 for the General Fund and the total expenditure level for the Special Revenue Funds.

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

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

Budgets and Budgetary Accounting (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 2021 tax is levied and collectible on December 1, 2021, 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 \$4.4199 per \$1,000 of taxable valuation for general governmental service. For the year ended December 31, 2021, the Township levied 4.4199 mills for general governmental services in December 2020. The total taxable value for the 2020 levy for the property within the Township was \$315,117,509.

**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 one year. 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 2021 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, 2021, 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.

Fund Balance Classifications

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:

Nonspendable - 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.

WATERTOWN CHARTER TOWNSHIP NOTES TO FINANCIAL STATEMENTS

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

Fund Balance Classifications (continued)

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 nonspendable, 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.

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.

WATERTOWN CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS

As of December 31, 2021, 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, 2021, \$4,825,429 of the Township's bank balance of \$7,629,819 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 \$7,625,461. 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. As of December 31, 2021, the Township's investment in the Michigan CLASS Investment Pool was rated AAAm by S&P Global Ratings, the Township's investment in the Michigan CLASS EDGE Investment Pool was rated AAAf/S1 by FitchRatings, and the Township's investments in FFCB Consolidated Systemwide Bonds were rated AA+ by S&P Global Ratings.

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.

	Fair Value	Weighted Average Maturity
Michigan CLASS government investment pool	\$ 2,696,170	< 60 days
Michigan CLASS EDGE government investment pool	2,150,089	> 60 days
U.S. agencies		
FFCB Consolidated Systemwide Bonds	592,980	4.39 years
Total	<u>\$ 5,439,239</u>	

**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.

Foreign Currency Risk

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

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.

As of December 31, 2021, the carrying amount and fair value for each investment type are as follows:

	Fair Value Measurements			Total
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
FFCB Consolidated Systemwide Bonds	\$ -	\$ 592,980	\$ -	\$ 592,980

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments in Entities that Calculate Net Asset Value per Share

The Township holds shares or interests in the Michigan CLASS and Michigan CLASS EDGE investment pools where the fair value of the investments are 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 pools invest 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, 2021, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency if Eligible</u>	<u>Redemption Notice Period</u>
Michigan CLASS	\$ 2,696,170	\$ -	No restrictions	None
Michigan CLASS EDGE	<u>2,150,089</u>	<u>-</u>	No restrictions	None
	<u><u>\$ 4,846,259</u></u>	<u><u>\$ -</u></u>		

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, 2021:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,513,627	\$ 1,040,118	\$ 4,553,745
Cash and cash equivalents - restricted	2,355	-	2,355
Investments	8,192,738	-	8,192,738
Investments - restricted	<u>316,262</u>	<u>-</u>	<u>316,262</u>
	<u><u>\$ 12,024,982</u></u>	<u><u>\$ 1,040,118</u></u>	<u><u>\$ 13,065,100</u></u>

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - RECEIVABLES

The following schedule details the Township's receivables as of December 31, 2021:

	General Fund	Fire and EMS Fund	Nonmajor Governmental Funds	Total Governmental Activities	Amounts Not Expected to be Collected Within One Year
Accounts receivable	\$ 81,775	\$ -	\$ -	\$ 81,775	\$ -
Taxes	1,183,631	380,610	-	1,564,241	-
Special assessments	30,675	-	122,662	153,337	107,421
Due from other governmental units	204,148	-	-	204,148	-
	<u>\$ 1,500,229</u>	<u>\$ 380,610</u>	<u>\$ 122,662</u>	<u>\$ 2,003,501</u>	<u>\$ 107,421</u>

	Sewage Disposal Enterprise Fund	Water Extension Enterprise Fund	Total Business- Type Activities
Accounts receivable	\$ 58,996	\$ -	\$ 58,996
Interest	-	3,246	3,246
Special assessments	1,800	-	1,800
	<u>\$ 60,796</u>	<u>\$ 3,246</u>	<u>\$ 64,042</u>

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year-end:

	General Fund/ Governmental Activities	Water Extension Enterprise Fund/Business- type Activities
Accounts payable	\$ 92,047	\$ 111,534
Accrued wages	26,790	-
Other liabilities	4,789	-
	<u>\$ 123,626</u>	<u>\$ 111,534</u>

NOTE 5 - INTERFUND TRANSFERS

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

Transfer to Sewage Disposal Fund from:

Nonmajor governmental funds	<u>\$ 55,930</u>
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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 6 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2021 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>\$ 180,263</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.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	Balance Jan. 1, 2021	Additions	Deletions	Balance Dec. 31, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 93,846	\$ 17,094	\$ -	\$ 110,940
Capital assets being depreciated				
Land improvements	103,375	-	-	103,375
Buildings and improvements	267,247	-	-	267,247
Equipment	90,649	25,964	-	116,613
Vehicles	29,763	-	-	29,763
Total capital assets being depreciated	491,034	25,964	-	516,998
Less accumulated depreciation for:				
Land improvements	(28,425)	(2,583)	-	(31,008)
Buildings and improvements	(182,052)	(6,855)	-	(188,907)
Equipment	(88,566)	(3,386)	-	(91,952)
Vehicles	(29,763)	-	-	(29,763)
Total accumulated depreciation	(328,806)	(12,824)	-	(341,630)
Net capital assets being depreciated	162,228	13,140	-	175,368
Net capital assets	<u>\$ 256,074</u>	<u>\$ 30,234</u>	<u>\$ -</u>	<u>\$ 286,308</u>

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - CAPITAL ASSETS (continued)

Depreciation expense was changed to the following governmental activities:

General government	\$ 8,594
Recreation and culture	<u>4,230</u>
	<u><u>\$ 12,824</u></u>

	Balance Jan. 1, 2021	Additions	Deletions	Balance Dec. 31, 2021
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 82,887	\$ -	\$ -	\$ 82,887
Construction in progress	<u>96,360</u>	<u>19,136</u>	<u>(115,496)</u>	<u>-</u>
Total capital assets not being depreciated	<u>179,247</u>	<u>19,136</u>	<u>(115,496)</u>	<u>82,887</u>
Capital assets being depreciated				
Sewage disposal system	<u>8,678,889</u>	<u>115,496</u>	<u>-</u>	<u>8,794,385</u>
Less accumulated depreciation for:				
Sewage disposal system	<u>(4,389,116)</u>	<u>(217,022)</u>	<u>-</u>	<u>(4,606,138)</u>
Net capital assets being depreciated	<u>4,289,773</u>	<u>(101,526)</u>	<u>-</u>	<u>4,188,247</u>
Net capital assets	<u><u>\$ 4,469,020</u></u>	<u><u>\$ (82,390)</u></u>	<u><u>\$ (115,496)</u></u>	<u><u>\$ 4,271,134</u></u>

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

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

NOTE 8 - 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, 2021:

	Balance Jan. 1, 2021	Additions	Deletions	Balance Dec. 31, 2021	Amount Due Within One Year
Governmental Activities					
Bonded debt					
Special assessment bonds 2006B - Road	\$ 35,000	\$ -	\$ (35,000)	\$ -	\$ -
Other long-term obligations					
Compensated absences	64,246	37,481	(41,487)	60,240	38,900
Total governmental activities	99,246	37,481	(76,487)	60,240	38,900
Business-Type Activities					
Bonded debt					
Special assessment bonds 2006B (590)	125,000	-	(125,000)	-	-
Special assessment bonds 2006B (591)	25,000	-	(25,000)	-	-
Total business-type activities	150,000	-	(150,000)	-	-
Total long-term obligations	\$ 249,246	\$ 37,481	\$ (226,487)	\$ 60,240	\$ 38,900

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 \$60,240 for vacation and sick at December 31, 2021. Of this amount, \$38,900 has been reported as a current liability and \$21,340 has been reported as a noncurrent liability.

NOTE 9 - 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, 2021, the Township's contributions to the Plan totaled \$79,428. Employee contributions were \$48,401.

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - 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 11 - 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.

NOTE 12 - 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, 2021:

REVENUES	
Building fee revenue	\$ 320,711
EXPENDITURES	
Planning and zoning	<u>429,512</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(108,801)
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(273,970)</u>
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u><u>\$ (382,771)</u></u>

**WATERTOWN CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - DETAILS OF FUND BALANCE CLASSIFICATIONS

Fund balance classifications as of December 31, 2021 were:

	General Fund	Fire and EMS Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total
Nonspendable					
Prepays	\$ 1,161	\$ -	\$ -	\$ -	\$ 1,161
Assets held for resale	40,120	-	-	-	40,120
Total nonspendable	41,281	-	-	-	41,281
Restricted					
Debt service	262,489	-	-	-	262,489
Committed					
Parks	104,900	-	-	-	104,900
Other properties	81,300	-	-	-	81,300
Office building and grounds	546,842	-	-	-	546,842
Roads and bridges	721,386	-	-	-	721,386
Fire expenditures and capital improvements	1,137,147	-	-	-	1,137,147
Legal expenditures	242,500	-	-	-	242,500
Capital projects	70,000	-	-	-	70,000
Other purposes	141,100	-	-	-	141,100
Township improvement revolving	-	-	-	83,210	83,210
Cemetery improvement	-	-	-	75,736	75,736
Total committed	3,045,175	-	-	158,946	3,204,121
Assigned					
Township hall	1,430,598	-	-	-	1,430,598
Unassigned	1,400,404	-	-	-	1,400,404
TOTAL FUND BALANCES	\$ 6,179,947	\$ -	\$ -	\$ 158,946	\$ 6,338,893

NOTE 14 - PRIOR PERIOD ADJUSTMENT

Beginning fund balance for the nonmajor governmental funds has been adjusted to account for a change in accounting method as noted below:

Description of correction	Nonmajor Governmental Funds
Beginning fund balance	\$ 306,456
Understated unavailable revenue	(141,147)
Restated beginning fund balance	\$ 165,309

WATERTOWN CHARTER TOWNSHIP NOTES TO FINANCIAL STATEMENTS

NOTE 15 - 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.

NOTE 16 - 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.

REQUIRED SUPPLEMENTARY INFORMATION

**WATERTOWN CHARTER TOWNSHIP
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,515,199	\$ 1,515,199	\$ 1,522,179	\$ 6,980
Special assessments	65,516	65,516	63,202	(2,314)
Licenses and permits	210,890	403,815	513,343	109,528
Intergovernmental	451,000	451,000	565,738	114,738
Charges for services	21,955	21,955	23,802	1,847
Interest and rents	83,738	83,738	35,344	(48,394)
Contributions and donations	2,116	2,116	15,698	13,582
TOTAL REVENUES	2,350,414	2,543,339	2,739,306	195,967
EXPENDITURES				
Current				
General government				
Township board	55,460	55,460	42,766	12,694
Supervisor	37,015	37,015	33,122	3,893
Board of review	2,403	2,403	989	1,414
Clerk	90,660	90,660	88,249	2,411
Attorney	15,000	15,000	8,667	6,333
Treasurer	115,714	115,714	91,604	24,110
Assessor	76,640	76,640	75,841	799
Elections	11,050	11,050	7,188	3,862
Building and grounds	182,366	182,366	169,655	12,711
General services administration	605,270	605,270	569,642	35,628
Other property	119,685	119,685	93,513	26,172
Insurance and bonds	41,460	41,460	31,309	10,151
Total general government	1,352,723	1,352,723	1,212,545	140,178
Public safety				
Public safety and health	503,467	503,467	484,700	18,767
Building inspection	731	731	-	731
Total public safety	504,198	504,198	484,700	19,498

**WATERTOWN CHARTER TOWNSHIP
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (continued)				
Current (continued)				
Public works				
Cemetery	\$ 13,772	\$ 13,772	\$ 6,325	\$ 7,447
Drains at large	27,181	30,181	28,528	1,653
Highways and streets	200,000	200,000	499,006	(299,006)
Street lighting	30,968	30,968	31,170	(202)
Total public works	271,921	274,921	565,029	(290,108)
Community and economic development				
Planning and zoning	225,693	418,618	429,512	(10,894)
Recreation and culture				
Parks and recreation	7,025	7,025	4,971	2,054
Debt service	36,446	36,546	36,484	62
Capital outlay	252,000	252,000	60,267	191,733
TOTAL EXPENDITURES	2,650,006	2,846,031	2,793,508	52,523
NET CHANGE IN FUND BALANCE	(299,592)	(302,692)	(54,202)	248,490
Fund balance, beginning of year	6,234,149	6,234,149	6,234,149	-
Fund balance, end of year	\$ 5,934,557	\$ 5,931,457	\$ 6,179,947	\$ 248,490

**WATERTOWN CHARTER TOWNSHIP
FIRE AND EMS FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**WATERTOWN CHARTER TOWNSHIP
ARPA GRANT FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

WATERTOWN CHARTER TOWNSHIP
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021

NOTE 1 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The Township's budgeted expenditures in the General Fund has 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, 2021, the Township incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amount Appropriated</u>	<u>Amount Expended</u>	<u>Variance</u>
General Fund			
Current			
Public works			
Highways and streets	\$ 200,000	\$ 499,006	\$ 299,006
Street lighting	30,968	31,170	202
Community and economic development			
Planning and zoning	418,618	429,512	10,894

OTHER SUPPLEMENTARY INFORMATION

**WATERTOWN CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2021**

	Capital Projects		
	Township Improvement Revolving	Cemetery Improvement	Total
ASSETS			
Cash and cash equivalents	\$ 31,439	\$ 23,198	\$ 54,637
Investments	216,793	52,538	269,331
Special assessment receivable	122,662	-	122,662
TOTAL ASSETS	<u>\$ 370,894</u>	<u>\$ 75,736</u>	<u>\$ 446,630</u>
LIABILITIES			
Due to other funds	<u>\$ 180,263</u>	<u>\$ -</u>	<u>\$ 180,263</u>
TOTAL LIABILITIES	<u>180,263</u>	<u>-</u>	<u>180,263</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>107,421</u>	<u>-</u>	<u>107,421</u>
FUND BALANCES			
Committed	<u>83,210</u>	<u>75,736</u>	<u>158,946</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 370,894</u>	<u>\$ 75,736</u>	<u>\$ 446,630</u>

**WATERTOWN CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2021**

	Capital Projects		
	Township Improvement Revolving	Cemetery Improvement	Total
REVENUES			
Special assessments	\$ 33,726	\$ -	\$ 33,726
Charges for services	-	11,820	11,820
Interest	3,999	22	4,021
TOTAL REVENUES	37,725	11,842	49,567
EXPENDITURES	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	37,725	11,842	49,567
OTHER FINANCING (USES)			
Transfers out	(55,930)	-	(55,930)
NET CHANGE IN FUND BALANCES	(18,205)	11,842	(6,363)
Fund balances, beginning of year	242,562	63,894	306,456
Prior period adjustment	(141,147)	-	(141,147)
Fund balances, end of year	\$ 83,210	\$ 75,736	\$ 158,946

**WATERTOWN CHARTER TOWNSHIP
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2021**

	<u>Custodial Funds</u>		
	<u>Custodial</u>	<u>Current Tax Collections</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 65,082</u>	<u>\$ 975,036</u>	<u>\$ 1,040,118</u>
LIABILITIES			
Undistributed tax collections	<u> -</u>	<u> 975,036</u>	<u> 975,036</u>
NET POSITION			
Restricted for individuals and agencies	<u><u>\$ 65,082</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 65,082</u></u>

**WATERTOWN CHARTER TOWNSHIP
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2021**

	Custodial Funds		
	Custodial	Current Tax Collections	Total
ADDITIONS			
Collection of taxes for other governments	\$ -	\$ 9,494,424	\$ 9,494,424
DEDUCTIONS			
Payment of taxes collected for other governments	-	9,494,424	9,494,424
Return of deposits received	387	-	387
Total deductions	387	9,494,424	9,494,811
Net change in fiduciary net position	(387)	-	(387)
Net position, beginning of year	65,469	-	65,469
Net position, end of year	<u>\$ 65,082</u>	<u>\$ -</u>	<u>\$ 65,082</u>