

Charter Township of East Bay, Michigan

Year Ended
December 31, 2020

Financial
Statements

Rehmann

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CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

June 9, 2021

Board of Trustees
Charter Township of East Bay
Traverse City, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Charter Township of East Bay, Michigan** (the "Township"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of East Bay, Michigan as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 84

As described in Note 19, the Township implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. There was no effect of this accounting change at the beginning of the year. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed 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 fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2021, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Management's Discussion and Analysis

As the Board of Charter Township of East Bay, Grand Traverse County, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis as an explanation of the financial activities of the Township for the fiscal year ended December 31, 2020.

Financial Highlights

· Total net position	\$ 30,578,172
· Change in total net position	1,940,588
· Fund balances, governmental funds	4,336,045
· Change in fund balances, governmental funds	262,262
· Unassigned fund balance, general fund	2,085,166
· Change in fund balance, general fund	159,565
· Long-term debt outstanding	5,822,204
· Change in long-term debt	(714,728)

Overview of the Financial Statements

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

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

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

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

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

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

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

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

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 seven 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, emergency services fund and municipal streets fund, which are considered to be major funds, and for the four nonmajor funds, the street lights fund, the developers escrow fund, the public improvement fund and the Township improvement revolving fund in the aggregate. The general fund is where the Township funds are held to cover normal budgeted expenditures for the year.

The Township adopts annual appropriated budgets for all governmental funds. Budgetary comparison statements have been provided for all major funds herein to demonstrate compliance with those budgets.

Proprietary Funds. Enterprise funds, the only propriety fund type used by the Township, 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 sanitary sewer and for water distribution operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements provide separate information for the sanitary sewer and water distribution systems, both of which are considered to be major funds of the Township. Proprietary funds are where the user fees collected on behalf of the township are held for specific purposes. For example, sewer use bills, fire hydrant user fees, special assessments and special fees are used to pay for the sewer system operation, fire hydrants, and bond payments for the developments for which they are collected.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary funds accumulate all the money's collected by the Township meant for another agency, for example, school taxes, Township taxes, library taxes, escrow accounts.

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.

Government-wide Financial Analysis

As noted earlier, changes in net position, over time, may serve as a useful indicator of a government's financial position. In the case of Charter Township of East Bay, assets for all activities exceeded liabilities and deferred inflows of resources by \$30,578,172 at the close of the most recent fiscal year.

Of the Township's net position, \$13,537,469 (44.3 percent) reflects its net investment in capital assets (e.g. land, land improvements, buildings and improvements, equipment, vehicles, and sewage disposal system); less any related debt used to acquire those assets that is outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its 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 of \$737,578 (2.4 percent) represents resources that are subject to external restrictions on how they may be used. The Township may use the remaining balance of *unrestricted net position* of \$16,303,125 (53.3 percent) to meet its ongoing obligations to citizens and creditors.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Management's Discussion and Analysis

At the end of the current year, due to conservative fiscal management, 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 government's net position for all activities increased by \$1,940,588 during the current fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 10,407,222	\$ 9,925,557	\$ 10,589,798	\$ 9,827,607	\$ 20,997,020	\$ 19,753,164
Capital assets, net	2,572,032	2,692,845	16,061,648	15,563,221	18,633,680	18,256,066
Total assets	12,979,254	12,618,402	26,651,446	25,390,828	39,630,700	38,009,230
Current liabilities	258,314	110,774	364,935	225,449	623,249	336,223
Long-term debt	736,675	819,323	5,085,529	5,717,609	5,822,204	6,536,932
Total liabilities	994,989	930,097	5,450,464	5,943,058	6,445,453	6,873,155
Total deferred inflows of resources	2,607,075	2,498,491	-	-	2,607,075	2,498,491
Net position:						
Net investment in capital assets	1,835,357	1,873,522	11,702,112	10,571,605	13,537,469	12,445,127
Restricted for public safety	494,750	438,958	-	-	494,750	438,958
Restricted for debt service	181,912	146,344	-	-	181,912	146,344
Restricted for projects	60,916	48,579	-	-	60,916	48,579
Unrestricted	6,804,255	6,682,411	9,498,870	8,876,165	16,303,125	15,558,576
Total net position	\$ 9,377,190	\$ 9,189,814	\$ 21,200,982	\$ 19,447,770	\$ 30,578,172	\$ 28,637,584

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program revenues:						
Charges for services	\$ 560,605	\$ 432,393	\$ 2,571,594	\$ 2,447,939	\$ 3,132,199	\$ 2,880,332
Operating grants	133,252	48,364	-	-	133,252	48,364
Capital grants and contributions	-	-	550,342	-	550,342	-
General revenues:						
Property taxes	2,512,467	2,340,522	-	-	2,512,467	2,340,522
State revenue sharing	975,303	979,768	-	-	975,303	979,768
Rental, interest and other	150,351	70,331	346,241	415,794	496,592	486,125
Total revenues	4,331,978	3,871,378	3,468,177	2,863,733	7,800,155	6,735,111
Expenses:						
General government	946,704	938,165	-	-	946,704	938,165
Public safety	1,754,785	1,671,197	-	-	1,754,785	1,671,197
Health and welfare	805,927	683,844	-	-	805,927	683,844
Public works	149,609	154,157	-	-	149,609	154,157
Community and economic development	302,688	155,676	-	-	302,688	155,676
Recreation and culture	183,977	187,700	-	-	183,977	187,700
Interest on long-term debt	912	913	-	-	912	913
Sewer	-	-	841,573	945,667	841,573	945,667
Water	-	-	873,392	827,725	873,392	827,725
Total expenses	4,144,602	3,791,652	1,714,965	1,773,392	5,859,567	5,565,044
Change in net position	187,376	79,726	1,753,212	1,090,341	1,940,588	1,170,067
Net position:						
Beginning of year	9,189,814	9,110,088	19,447,770	18,357,429	28,637,584	27,467,517
End of year	\$ 9,377,190	\$ 9,189,814	\$ 21,200,982	\$ 19,447,770	\$ 30,578,172	\$ 28,637,584

Governmental Activities. The net position of the governmental activities increased by \$187,376. This is due to a number of different revenue streams increasing in 2020. For example, revenue from property taxes increased \$171,945 or 7.4 percent due to an increase in the taxable value of property. Additionally, operating grants and contributions increased \$84,888 or 175.5 percent due to CARES Act grants received for the COVID-19 pandemic, as well as election grant revenue. Lastly, charges for services revenue increased \$128,212 or 29.7 percent due to an increase in ambulance runs/services and the rates charged for those services. These increases were offset by governmental expenses increasing \$352,950 or 9.3 percent due to various expense increases related to public safety, health and welfare, community and economic development and recreation and culture.

Business-type Activities. The net position of the business-type activities increased by \$1,753,212. The increase is the result of an increase in interest income earned during the year and a capital contribution received from Acme Township related to a joint sewer project, as well as maintaining expenses.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the Township's Funds

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

Governmental Funds. The focus of the Township's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements.

As of the end of 2020, the Township's governmental funds reported combined ending fund balances of \$4,336,045, an increase of \$262,262 in comparison with the prior year. Approximately 48.1 percent of this total amount, or \$2,085,166, constitutes unassigned fund balance, which is an adequate amount to keep the Township operating in the case of unforeseen emergencies. The nonspendable portion of the fund balance, \$558,687, represents amounts prepaid for 2021 expenses in 2020 and advances to other funds. The restricted portion of the governmental fund balance, \$703,105, is special assessment payments received for future bond payments, restricted funds for public safety and restricted funds for projects. The assigned portion of the governmental fund balance, \$961,001, represents amounts assigned for specific purposes by action of the Township Board. The remainder of the fund balance, \$28,086, is committed, by action of the Township Board, for specific needs and projects.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,085,166 while total fund balance was \$3,570,381. The fund balance of the Township's general fund increased by a total \$159,565 during the current fiscal year. The increase is the result of an effort to cut costs and increase fund balance for future contingencies.

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 sewer fund and water funds at the end of the year amounted to \$5,070,947 and \$4,427,923, respectively. The sewer fund had a increase for the year of \$1,014,103 and the water fund had an increase for the year of \$739,109, in total net position.

General Fund Budgetary Highlights

The Township adopts an annual appropriated budget for its General Fund by resolution of the Board of Trustees. The Township budgets conservatively. Revenues are budgeted based on historic trends coupled with knowledge of factors influencing revenue line items. Expenditures are budgeted based on the previous years' actual expense and department recommendations. The Township receives a financial report at their monthly board meetings and is reviewed quarterly by the Board with the contracted accountant. Budget amendments are included in the consent calendar and in agenda items, where appropriate. Budget amendments are voted and approved at these regular monthly meetings, if necessary. Budget amendments are offered when administration observes dynamics which may impact the original budget and offers an adjustment accordingly. There were no significant budget amendments made during the year. In 2020, as compared to the General Fund original budget, actual revenues were 3.0 percent over budget. As compared to the amended budget, the actual revenues were 7.0 percent over budget, primarily due to an increase in intergovernmental revenues related to COVID funding, as well as an increase in grant revenues received to be used for improvements to Mount Holiday and Grace Macdonald Park. In 2020, as compared to the original budget, actual expenditures were 1.6 percent under budget. As compared to the amended budget, the actual expenditures were 8.3 percent under budget due to a number of items: attorney costs, which were budgeted based on anticipated need, came in under budget, amounts budgeted for the TART Trail agreement came in under budget due to the timing of various projects and medical insurance came in under budget due to lower rates than anticipated.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounted to \$18,633,680 (net of accumulated depreciation). Capital assets balances for the current year and the previous year ended December 31 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 762,604	\$ 762,604	\$ 151,926	\$ 151,926	\$ 914,530	\$ 914,530
Construction in progress	-	-	57,124	121,883	57,124	121,883
Roads and sidewalks	960,027	1,008,227	-	-	960,027	1,008,227
Buildings and improvements	645,654	686,224	-	-	645,654	686,224
Furniture and equipment	180,727	166,731	-	-	180,727	166,731
Vehicles	23,020	69,059	-	-	23,020	69,059
Water and sewer systems	-	-	13,275,475	13,325,993	13,275,475	13,325,993
Septage treatment facilities	-	-	2,577,123	1,963,419	2,577,123	1,963,419
Total capital assets, net	\$ 2,572,032	\$ 2,692,845	\$ 16,061,648	\$ 15,563,221	\$ 18,633,680	\$ 18,256,066

The increase in the Township's investment in capital assets for the current fiscal year of \$377,614 resulted primarily from significant capital asset additions for the US-31 Force Main project, offset by annual depreciation expense. Additional information on capital assets can be found in the notes to the financial statements.

Long-term Debt. At the end of the current fiscal year, the Township had total debt outstanding of \$5,822,204. The bonds are backed by the full faith and credit of the Township. The long-term debt of the Township decreased by \$714,728 during 2020 as a result of making scheduled principal payments during the year. Outstanding balances for the current year and the previous year ended December 31 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Special assessment bonds	\$ 706,200	\$ 780,100	\$ -	\$ -	\$ 706,200	\$ 780,100
Installment purchase agreement	28,972	36,216	-	-	28,972	36,216
Capital lease	1,503	3,007	-	-	1,503	3,007
Water system improvement bonds	-	-	3,999,512	4,216,480	3,999,512	4,216,480
Contractual obligations with the County	-	-	1,086,017	1,501,129	1,086,017	1,501,129
Total bonded debt outstanding	\$ 736,675	\$ 819,323	\$ 5,085,529	\$ 5,717,609	\$ 5,822,204	\$ 6,536,932

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. Additional information on long-term debt outstanding can be found in the notes to the financial statements.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Management's Discussion and Analysis

Economic Factors and Next Year's Budget and Rates

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

- Collection of 0.7174 mill on Taxable Value.
- The uncertainty of State Revenue Sharing Payments.
- Department managers operating with a conservative and fiscally responsible budget approach.
- Water and sewer infrastructure improvements, including an update of water and sewer ordinances and a rate analysis.
- Deferment of septage treatment facility advance repayment.
- A 3% wage adjustment across all positions.
- Tax Tribunal cases in process and before the Tribunal Court.
- Healthcare Spending Account, which allows for a most cost-efficient high-deductible plan, necessitated a double-digit increase due to health insurance offering adjustment.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors and to demonstrate the Township's accountability for the resources it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Supervisor, Clerk, or Treasurer at the Township Hall, 1965 Three Mile Road, Traverse City, Michigan 49696.

BASIC FINANCIAL STATEMENTS

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CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Statement of Net Position

December 31, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 5,097,664	\$ 9,351,799	\$ 14,449,463
Restricted cash and cash equivalents	-	725,993	725,993
Receivables, net	2,210,468	418,526	2,628,994
Prepaid items	101,851	-	101,851
Investment in joint venture	2,540,403	-	2,540,403
Capital contributions receivable	-	550,316	550,316
Internal balances	456,836	(456,836)	-
Capital assets not being depreciated	762,604	209,050	971,654
Capital assets being depreciated, net	1,809,428	15,852,598	17,662,026
Total assets	12,979,254	26,651,446	39,630,700
Liabilities			
Accounts payable and accrued liabilities	159,405	364,935	524,340
Escrow deposits	98,909	-	98,909
Long-term debt:			
Due within one year	87,646	643,606	731,252
Due in more than one year	649,029	4,441,923	5,090,952
Total liabilities	994,989	5,450,464	6,445,453
Deferred inflows of resources			
Taxes levied for a subsequent period	2,607,075	-	2,607,075
Net position			
Net investment in capital assets	1,835,357	11,702,112	13,537,469
Restricted for public safety	494,750	-	494,750
Restricted for debt service	181,912	-	181,912
Restricted for projects	60,916	-	60,916
Unrestricted	6,804,255	9,498,870	16,303,125
Total net position	\$ 9,377,190	\$ 21,200,982	\$ 30,578,172

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

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2020

Functions / Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenues
		Charges for Services	Operating Grants and Contributions		
Primary government					
Governmental activities:					
General government	\$ 946,704	\$ 253,970	\$ 75,284	\$ -	\$ (617,450)
Public safety	1,754,785	7,355	-	-	(1,747,430)
Health and welfare	805,927	246,303	57,968	-	(501,656)
Public works	149,609	34,925	-	-	(114,684)
Community and economic development	302,688	18,052	-	-	(284,636)
Recreation and culture	183,977	-	-	-	(183,977)
Interest on long-term debt	912	-	-	-	(912)
Total governmental activities	<u>4,144,602</u>	<u>560,605</u>	<u>133,252</u>	<u>-</u>	<u>(3,450,745)</u>
Business-type activities:					
Sewer	841,573	1,239,436	-	550,342	948,205
Water	873,392	1,332,158	-	-	458,766
Total business-type activities	<u>1,714,965</u>	<u>2,571,594</u>	<u>-</u>	<u>550,342</u>	<u>1,406,971</u>
Total primary government	<u>\$ 5,859,567</u>	<u>\$ 3,132,199</u>	<u>\$ 133,252</u>	<u>\$ 550,342</u>	<u>\$ (2,043,774)</u>

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position			
Net (revenue) expense	\$ (3,450,745)	\$ 1,406,971	\$ (2,043,774)
General revenues:			
Property taxes	2,512,467	-	2,512,467
State revenue sharing	975,303	-	975,303
Tower rentals	-	222,991	222,991
Other	122,270	1,965	124,235
Unrestricted investment earnings	28,081	121,285	149,366
Total general revenues	3,638,121	346,241	3,984,362
Change in net position	187,376	1,753,212	1,940,588
Net position, beginning of year	9,189,814	19,447,770	28,637,584
Net position, end of year	\$ 9,377,190	\$ 21,200,982	\$ 30,578,172

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

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Balance Sheet

Governmental Funds
December 31, 2020

	General	Emergency Services	Municipal Streets	Nonmajor Funds	Totals
Assets					
Cash and cash equivalents	\$ 3,137,169	\$ 1,552,194	\$ 220,399	\$ 187,902	\$ 5,097,664
Receivables:					
Accounts	51,040	79,593	-	4,952	135,585
Taxes	238,419	1,111,156	-	-	1,349,575
Special assessments	-	-	564,427	-	564,427
Due from other governmental units	160,881	-	-	-	160,881
Prepaid items	67,378	34,473	-	-	101,851
Due from other funds	500	12,974	-	-	13,474
Advances to other funds	456,836	-	-	-	456,836
Total assets	\$ 4,112,223	\$ 2,790,390	\$ 784,826	\$ 192,854	\$ 7,880,293
Liabilities					
Accounts payable	\$ 70,041	\$ 45,494	\$ -	\$ 4,943	\$ 120,478
Accrued liabilities	19,750	17,359	-	-	37,109
Escrow deposits	-	-	-	98,909	98,909
Due to other funds	2,974	-	10,500	-	13,474
Total liabilities	92,765	62,853	10,500	103,852	269,970
Deferred inflows of resources					
Taxes levied for a subsequent period	449,077	2,157,998	-	-	2,607,075
Unavailable revenue	-	74,789	592,414	-	667,203
Total deferred inflows of resources	449,077	2,232,787	592,414	-	3,274,278
Fund balances					
Nonspendable	524,214	34,473	-	-	558,687
Restricted	-	460,277	181,912	60,916	703,105
Committed	-	-	-	28,086	28,086
Assigned	961,001	-	-	-	961,001
Unassigned	2,085,166	-	-	-	2,085,166
Total fund balances	3,570,381	494,750	181,912	89,002	4,336,045
Total liabilities, deferred inflows of resources and fund balances	\$ 4,112,223	\$ 2,790,390	\$ 784,826	\$ 192,854	\$ 7,880,293

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

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
December 31, 2020

Fund balances - total governmental funds	\$ 4,336,045
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.	
Capital assets not being depreciated	762,604
Capital assets being depreciated, net	1,809,428
Equity interest in joint ventures are not financial resources and therefore are not reported in the funds.	
Equity in joint venture	2,540,403
The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.	
Unavailable revenue	667,203
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Bonds, installment purchase agreement, and capital lease payable	(745,475)
Unamortized bond discount	8,800
Accrued interest on long-term debt	(1,818)
Net position of governmental activities	<u><u>\$ 9,377,190</u></u>

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

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2020

	General	Emergency Services	Municipal Streets	Nonmajor Funds	Totals
Revenues					
Taxes	\$ 462,254	\$ 2,050,213	\$ -	\$ -	\$ 2,512,467
Special assessments	-	-	132,740	7,254	139,994
Intergovernmental	1,049,667	57,968	-	-	1,107,635
Licenses and permits	246,640	-	-	18,052	264,692
Charges for services	7,330	221,880	-	-	229,210
Interest	23,755	4,326	1,272	-	29,353
Other	26,253	11,543	-	85,495	123,291
Total revenues	1,815,899	2,345,930	134,012	110,801	4,406,642
Expenditures					
Current:					
Legislative	57,606	-	-	-	57,606
General government	785,577	-	-	-	785,577
Public safety	-	1,575,051	-	-	1,575,051
Health and welfare	-	677,329	-	-	677,329
Public works	26,931	-	-	8,562	35,493
Community and economic development	212,435	-	-	90,902	303,337
Recreation and culture	129,692	-	-	-	129,692
Debt service:					
Principal	8,748	-	75,000	-	83,748
Interest	276	-	23,444	-	23,720
Capital outlay	76,170	37,758	-	-	113,928
Other	358,899	-	-	-	358,899
Total expenditures	1,656,334	2,290,138	98,444	99,464	4,144,380
Net change in fund balances	159,565	55,792	35,568	11,337	262,262
Fund balances, beginning of year	3,410,816	438,958	146,344	77,665	4,073,783
Fund balances, end of year	\$ 3,570,381	\$ 494,750	\$ 181,912	\$ 89,002	\$ 4,336,045

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

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended December 31, 2020

Net change in fund balances - total governmental funds	\$ 262,262
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital assets purchased	107,805
Depreciation expense	(228,618)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in equity interest of joint venture	37,755
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	
Net change in unavailable revenue	(74,664)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments on long-term debt	83,748
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Amortization of bond discount	(1,100)
Change in accrued interest on long-term debt	188
Change in net position of governmental activities	<u>\$ 187,376</u>

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

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues				
Taxes	\$ 453,800	\$ 453,800	\$ 462,254	\$ 8,454
Intergovernmental	1,000,183	934,183	1,049,667	115,484
Licenses and permits	255,250	249,250	246,640	(2,610)
Charges for services	10,000	10,000	7,330	(2,670)
Interest	10,000	17,500	23,755	6,255
Other	31,650	31,650	26,253	(5,397)
Total revenues	1,760,883	1,696,383	1,815,899	119,516
Expenditures				
Legislative - Township board	75,304	75,304	57,606	(17,698)
General government:				
Supervisor	71,080	71,080	69,724	(1,356)
Assessor	187,785	202,235	197,490	(4,745)
Elections	92,500	92,500	71,873	(20,627)
Clerk	122,414	122,414	114,597	(7,817)
Board of review	2,365	2,365	1,477	(888)
Treasurer	120,429	120,429	116,015	(4,414)
Buildings and grounds	194,210	228,620	214,401	(14,219)
Total general government	790,783	839,643	785,577	(54,066)
Public works:				
Highways, streets, and bridges	7,500	7,000	6,669	(331)
Street lighting	22,000	22,000	20,262	(1,738)
Total public works	29,500	29,000	26,931	(2,069)
Community and economic development:				
Planning commission/board of appeals	48,535	48,535	36,075	(12,460)
Planner/zoning administrator	181,766	187,766	176,360	(11,406)
Total community and economic development	230,301	236,301	212,435	(23,866)

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CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance from Final Budget
Expenditures (concluded)				
Recreation and culture:				
Parks and recreation	\$ 116,049	\$ 135,309	\$ 129,692	\$ (5,617)
Debt service:				
Principal	7,218	8,757	8,748	(9)
Interest	-	276	276	-
Total debt service	7,218	9,033	9,024	(9)
Capital outlay	46,500	101,211	76,170	(25,041)
Other	387,014	380,014	358,899	(21,115)
Total expenditures	1,682,669	1,805,815	1,656,334	(149,481)
Revenues over (under) expenditures	78,214	(109,432)	159,565	268,997
Other financing sources (uses)				
Transfers in	14,536	14,536	-	(14,536)
Transfers out	(14,536)	(14,536)	-	14,536
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	78,214	(109,432)	159,565	268,997
Fund balance, beginning of year	3,410,816	3,410,816	3,410,816	-
Fund balance, end of year	\$ 3,489,030	\$ 3,301,384	\$ 3,570,381	\$ 268,997

concluded.

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

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Emergency Services

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues				
Taxes	\$ 2,034,819	\$ 2,034,819	\$ 2,050,213	\$ 15,394
Intergovernmental	56,320	56,320	57,968	1,648
Charges for services	241,000	206,000	221,880	15,880
Interest	3,000	3,000	4,326	1,326
Other	7,000	7,000	11,543	4,543
Total revenues	<u>2,342,139</u>	<u>2,307,139</u>	<u>2,345,930</u>	<u>38,791</u>
Expenditures				
Public safety:				
Sheriff patrol	176,200	176,200	143,375	(32,825)
Metro services	1,403,840	1,403,840	1,431,676	27,836
Total public safety	<u>1,580,040</u>	<u>1,580,040</u>	<u>1,575,051</u>	<u>(4,989)</u>
Health and welfare:				
Ambulance services	665,700	681,300	677,329	(3,971)
Capital outlay	<u>116,320</u>	<u>79,720</u>	<u>37,758</u>	<u>(41,962)</u>
Total expenditures	<u>2,362,060</u>	<u>2,341,060</u>	<u>2,290,138</u>	<u>(50,922)</u>
Net change in fund balance	(19,921)	(33,921)	55,792	89,713
Fund balance, beginning of year	<u>438,958</u>	<u>438,958</u>	<u>438,958</u>	-
Fund balance, end of year	<u>\$ 419,037</u>	<u>\$ 405,037</u>	<u>\$ 494,750</u>	<u>\$ 89,713</u>

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

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Municipal Streets

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues				
Special assessments	\$ 108,511	\$ 108,511	\$ 132,740	\$ 24,229
Interest	2,000	2,000	1,272	(728)
Total revenues	<u>110,511</u>	<u>110,511</u>	<u>134,012</u>	<u>23,501</u>
Expenditures				
Debt service:				
Principal	75,000	75,000	75,000	-
Interest	23,444	23,444	23,444	-
Total debt service	<u>98,444</u>	<u>98,444</u>	<u>98,444</u>	<u>-</u>
Net change in fund balance	12,067	12,067	35,568	23,501
Fund balance, beginning of year	<u>146,344</u>	<u>146,344</u>	<u>146,344</u>	<u>-</u>
Fund balance, end of year	<u>\$ 158,411</u>	<u>\$ 158,411</u>	<u>\$ 181,912</u>	<u>\$ 23,501</u>

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

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Statement of Net Position

Proprietary Funds
December 31, 2020

	Sewer	Water	Totals
Assets			
Current assets:			
Cash and investments	\$ 4,938,003	\$ 4,341,990	\$ 9,279,993
Cash held with Grand Traverse County	40,006	31,800	71,806
Restricted cash and cash equivalents	-	725,993	725,993
Receivables	237,787	180,739	418,526
Current portion of capital contributions receivable	275,158	-	275,158
Total current assets	5,490,954	5,280,522	10,771,476
Noncurrent assets:			
Capital contributions receivable, net of current portion	275,158	-	275,158
Capital assets not being depreciated	180,488	28,562	209,050
Capital assets being depreciated, net	7,555,783	8,296,815	15,852,598
Total noncurrent assets	8,011,429	8,325,377	16,336,806
Total assets	13,502,383	13,605,899	27,108,282
Liabilities			
Current liabilities:			
Accounts payable	236,141	107,663	343,804
Accrued interest payable	2,188	18,943	21,131
Current portion of bonds payable	235,834	407,772	643,606
Total current liabilities	474,163	534,378	1,008,541
Advance from other funds	456,836	-	456,836
Long-term debt -			
Bonds payable, net of current portion	274,298	4,167,625	4,441,923
Total liabilities	1,205,297	4,702,003	5,907,300
Net position			
Net investment in capital assets	7,226,139	4,475,973	11,702,112
Unrestricted	5,070,947	4,427,923	9,498,870
Total net position	\$ 12,297,086	\$ 8,903,896	\$ 21,200,982

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

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2020

	Sewer	Water	Totals
Operating revenues			
User fee charges	\$ 1,239,436	\$ 1,332,158	\$ 2,571,594
Operating expenses			
Cost of water	-	515,514	515,514
Sewage treatment	557,752	-	557,752
Depreciation	271,293	238,825	510,118
Total operating expenses	829,045	754,339	1,583,384
Operating income	410,391	577,819	988,210
Nonoperating revenues (expenses)			
Interest income	63,933	57,352	121,285
Interest expense	(12,528)	(119,053)	(131,581)
Tower rental income	-	222,991	222,991
Other	1,965	-	1,965
Total nonoperating revenues (expenses)	53,370	161,290	214,660
Income before capital contributions	463,761	739,109	1,202,870
Capital contribution from Acme Township	550,342	-	550,342
Change in net position	1,014,103	739,109	1,753,212
Net position, beginning of year	11,282,983	8,164,787	19,447,770
Net position, end of year	\$ 12,297,086	\$ 8,903,896	\$ 21,200,982

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

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2020

	Sewer	Water	Totals
Cash flows from operating activities			
Cash received from customers	\$ 1,266,710	\$ 1,332,959	\$ 2,599,669
Cash payments to suppliers for goods and services	(476,872)	(454,629)	(931,501)
Net cash provided by operating activities	<u>789,838</u>	<u>878,330</u>	<u>1,668,168</u>
Cash flows from noncapital financing activities			
Rental income	-	222,991	222,991
Cash flows from capital and related financing activities			
Sale of investments	815,314	848,592	1,663,906
Repayment of interfund advance	(35,333)	-	(35,333)
Purchase of capital assets	(979,983)	(28,562)	(1,008,545)
Principal payments	(231,368)	(398,744)	(630,112)
Interest payments	(13,477)	(122,351)	(135,828)
Net cash (used in) provided by capital and related financing activities	<u>(444,847)</u>	<u>298,935</u>	<u>(145,912)</u>
Cash flows from investing activities			
Interest received	65,921	57,355	123,276
Net change in cash and cash equivalents	410,912	1,457,611	1,868,523
Cash and cash equivalents, beginning of year	<u>4,567,097</u>	<u>3,642,172</u>	<u>8,209,269</u>
Cash and cash equivalents, end of year	<u>\$ 4,978,009</u>	<u>\$ 5,099,783</u>	<u>\$ 10,077,792</u>
Reconciliation to the Statement of Net Position			
Cash and investments	\$ 4,938,003	\$ 4,341,990	\$ 9,279,993
Cash held with Grand Traverse County	40,006	31,800	71,806
Restricted cash and cash equivalents	-	725,993	725,993
	<u>\$ 4,978,009</u>	<u>\$ 5,099,783</u>	<u>\$ 10,077,792</u>

continued...

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2020

	Sewer	Water	Totals
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 410,391	\$ 577,819	\$ 988,210
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	271,293	238,825	510,118
Change in operating assets and liabilities:			
Accounts receivable	27,274	801	28,075
Accounts payable	80,880	60,885	141,765
Net cash provided by operating activities	<u>\$ 789,838</u>	<u>\$ 878,330</u>	<u>\$ 1,668,168</u>

concluded.

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

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Statement of Fiduciary Net Position

Custodial Funds

December 31, 2020

Assets

Cash and cash equivalents	<u>\$ 1,086,806</u>
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Liabilities

Due to other governmental units:

Local	\$ 1,086,021
-------	--------------

Due to individuals and agencies	<u>785</u>
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Total liabilities

<u>1,086,806</u>

Net position restricted for:

Individuals, organizations and other government	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Statement of Change in Fiduciary Net Position

Custodial Funds

For the Year Ended December 31, 2020

Additions

Property taxes collected for other governments	\$ 20,642,211
--	---------------

Deductions

Payments of property taxes to other governments	20,642,211
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Change in net position

-

Net position, beginning of year

-

Net position, end of year

\$ -

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

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NOTES TO FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Charter Township of East Bay, Michigan is a municipal corporation governed by an elected seven-member board, which is chaired by the supervisor. The Township has determined that no entities should be consolidated into the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for custodial funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are intended to be used to cover current expenditures. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

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

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

The Township reports the following major governmental funds:

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

The *emergency services fund* is used to account for an emergency services tax millage levied by the Township for the operation of the police, ambulance, and fire departments.

The *municipal streets fund* is used to account for special assessments used for the construction of roads in the township.

The Township reports the following major proprietary funds:

The *sewer fund* accounts for the activities of the government's sewage disposal system.

The *water fund* accounts for the activities and debt payments of the government's water distribution system.

Additionally, the Township reports the following fund types:

The *special revenue funds* are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

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.

Custodial funds account for assets held by the Township in a custodial capacity for other governments and entities. Primarily this includes undistributed collections and withholdings current property taxes.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided and includes special assessments, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

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

Assets, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

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

State statutes and Township policy authorize the Township to invest in:

Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

Bankers' acceptances of United States banks.

Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items when purchased in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, equipment, vehicles, and the water, sewer and septage systems, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition cost as of the date of donation.

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

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

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

	Years
Roads and sidewalks	7-15
Buildings and improvements	15-39
Furniture and equipment	3-10
Vehicles	5
Water, sewer and septage systems	50

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To 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.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenues) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from special assessments receivable and accounts receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods.

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees (the government's highest level of decision-making authority). A motion by the Board of Trustees is required to establish, modify, or rescind a fund balance commitment. The Township reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Trustees will assign any fund balance amounts. *Unassigned fund balance* is the residual classification for the general fund.

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

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. 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. Additionally, management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

2. BUDGETARY INFORMATION

Budget Policy and Compliance

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the first day of the following fiscal year.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to the first day of the following fiscal year, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Budgets are adopted and are authorized by resolution at the department (activity) level within funds by the Township Board. This is the local legal level of budgetary control. All unexpended and unobligated appropriations lapse at year-end.
7. Adoption and amendments of all budgets used by the Township are governed by Public Act 621, which was followed during the year. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Township Board.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

P.A 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted.

3. EXCESS OF EXPENDITURES OVER BUDGET

State statutes provide that a local unit shall not incur expenditures in excess of the amounts appropriated.

Excess of expenditures or transfers out over appropriations in individual funds are as follows:

	Final Budget	Actual	Excess
Emergency services fund -			
Public safety:			
Metro services	\$ 1,403,840	\$ 1,431,676	\$ 27,836

These excesses over appropriations were funded by available fund balance.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

4. CASH AND INVESTMENTS

A reconciliation of cash and investments as shown on the statement of net position and statement of fiduciary assets and liabilities to deposits and investments as classified for note disclosure purposes is as follows:

Statement of Net Position

Cash and investments	\$ 14,449,463
Restricted cash and cash equivalents	<u>725,993</u>
	15,175,456

Statement of Fiduciary Net Position

Cash and investments	<u>1,086,806</u>
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Total	<u><u>\$ 16,262,262</u></u>
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Following is a reconciliation of deposit and investment balances as of December 31, 2020:

Deposits and investments

Bank deposits:	
Checking and savings accounts	\$ 3,172,797
Certificate of deposit - due in one year	774,107
Certificate of deposit - due in one to five years	1,338,078
Cash held with Grand Traverse County	71,806
Investments	10,905,096
Cash on hand	<u>378</u>

Total	<u><u>\$ 16,262,262</u></u>
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Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$3,216,802 of the Township's bank balance of \$5,288,608 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

As of year end, the Township had the following investments:

	Fair Value	Credit Rating	Maturity
Natixis NY Disc Commercial Paper	\$ 629,817	S&P A1	9/7/2021
Federal Farm Credit Bank	525,000	S&P AA+	10/15/2024
Federal Farm Credit Bank	533,701	S&P AA+	8/20/2029
Lincoln Michigan Schools Refunding Bonds	503,455	S&P AA	5/1/2021
Great Lakes Water Authority Michigan Sewage Disposal Special Revenue Lien	253,128	S&P AA-	7/1/2023
Money market accounts	1,571,964	N/A	N/A
Michigan CLASS government investment pool	6,888,031	S&P AAAm	N/A
Total	<u>\$ 10,905,096</u>		

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Township does not have a policy for investment custodial credit risk. None of the Township’s investments were exposed to custodial credit risk at year end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in 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 investment credit risk. Credit risk ratings, where applicable, have been identified above for the Township’s investments.

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 above for the Township’s investments.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

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. At December 31, 2020, the Township had greater than 5% of its total investment portfolio concentrated as follows:

Investment Type	Issuer	% of Portfolio
Commercial Paper	Natixis	5.78%
Money market	Huntington Bank	6.28%
Various	Michigan CLASS	63.16%

Fair Value. The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. These levels are determined by the Township's investment manager, and are determined at the fund level based on a review of the investment's class, structure, and what kind of securities are held in the funds. The investment manager will request the information from the fund manager, if necessary.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at December 31, 2020
Investments at fair value:				
Money market accounts	\$ -	\$ 1,571,964	\$ -	\$ 1,571,964
Commercial paper	-	629,817	-	629,817
U.S. governments bonds	-	1,058,701	-	1,058,701
Municipal bonds	-	756,583	-	756,583
	<u>\$ -</u>	<u>\$ 4,017,065</u>	<u>\$ -</u>	<u>4,017,065</u>
Investments at net asset value - Michigan CLASS				<u>6,888,031</u>
Total investments				<u>\$ 10,905,096</u>

Investments in Entities that Calculate Net Asset Value per Share

The Township holds shares in Michigan CLASS whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

At year end, the net asset value of the Township's investment in Michigan CLASS was \$6,888,031. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

Restricted Cash. Restricted cash of \$725,993 represents unspent bond proceeds related to the \$5,000,000 in water system improvement bonds.

5. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts	\$ 149,193	\$ 381,466
Allowance for doubtful accounts	(13,608)	-
Interest	-	12,524
Taxes	1,349,575	-
Special assessments	564,427	24,536
Due from other governments	160,881	-
	<u>\$ 2,210,468</u>	<u>\$ 418,526</u>

Of the amounts reported for receivables above, special assessments receivable in the amount of \$507,921 are not expected to be collected within one year.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 120,478	\$ 343,804
Accrued liabilities	37,109	-
Accrued interest	1,818	21,131
	<u>\$ 159,405</u>	<u>\$ 364,935</u>

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

7. INTERFUND RECEIVABLES AND PAYABLES

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

	Receivable	Payable
Due to and from other funds		
General fund	\$ 500	\$ 2,974
Emergency services fund	12,974	-
Municipal streets fund	-	10,500
	<u> </u>	<u> </u>
Total	<u>\$ 13,474</u>	<u>\$ 13,474</u>
	Receivable	Payable
Advances to and from other funds		
General fund	\$ 456,836	\$ -
Sewage fund	-	456,836
	<u> </u>	<u> </u>
Total	<u>\$ 456,836</u>	<u>\$ 456,836</u>

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

Intrafund advances resulted from the General fund to the Sewer fund to pay off higher interest outstanding debt.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

8. CAPITAL ASSETS

Primary government

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 762,604	\$ -	\$ -	\$ -	\$ 762,604
Capital assets being depreciated:					
Roads and sidewalks	1,234,839	34,621	-	-	1,269,460
Buildings and improvements	1,443,615	-	-	-	1,443,615
Furniture and equipment	667,524	73,184	-	-	740,708
Vehicles	589,300	-	-	-	589,300
	<u>3,935,278</u>	<u>107,805</u>	<u>-</u>	<u>-</u>	<u>4,043,083</u>
Less accumulated depreciation for:					
Roads and sidewalks	(226,612)	(82,821)	-	-	(309,433)
Buildings and improvements	(757,391)	(40,570)	-	-	(797,961)
Furniture and equipment	(500,793)	(59,188)	-	-	(559,981)
Vehicles	(520,241)	(46,039)	-	-	(566,280)
	<u>(2,005,037)</u>	<u>(228,618)</u>	<u>-</u>	<u>-</u>	<u>(2,233,655)</u>
Total capital assets being depreciated, net	<u>1,930,241</u>	<u>(120,813)</u>	<u>-</u>	<u>-</u>	<u>1,809,428</u>
Governmental activities capital assets, net	<u>\$ 2,692,845</u>	<u>\$ (120,813)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,572,032</u>

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 151,926	\$ -	\$ -	\$ -	\$ 151,926
Construction in progress	121,883	57,124	-	(121,883)	57,124
	<u>273,809</u>	<u>57,124</u>	<u>-</u>	<u>(121,883)</u>	<u>209,050</u>
Capital assets being depreciated:					
Water and sewer systems	22,622,286	-	-	-	22,622,286
Septage treatment facilities	2,525,880	951,421	-	121,883	3,599,184
	<u>25,148,166</u>	<u>951,421</u>	<u>-</u>	<u>121,883</u>	<u>26,221,470</u>
Less accumulated depreciation for:					
Water and sewer systems	(9,296,293)	(50,518)	-	-	(9,346,811)
Septage treatment facilities	(562,461)	(459,600)	-	-	(1,022,061)
	<u>(9,858,754)</u>	<u>(510,118)</u>	<u>-</u>	<u>-</u>	<u>(10,368,872)</u>
Total capital assets being depreciated, net	<u>15,289,412</u>	<u>441,303</u>	<u>-</u>	<u>121,883</u>	<u>15,852,598</u>
Business-type activities capital assets, net	<u>\$ 15,563,221</u>	<u>\$ 498,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,061,648</u>

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

Depreciation of governmental activities by function

General government	\$ 53,035
Public safety	4,685
Health and welfare	55,893
Public works	77,441
Recreation and culture	37,564
	<u>\$ 228,618</u>

Depreciation of business-type activities by function

Sewage disposal	\$ 271,293
Water extension	238,825
	<u>\$ 510,118</u>

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

9. LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Public placement					
\$865,000 special assessment bonds due in annual installments of \$75,000 to \$100,000 through June 1, 2028, interest at 3.25%	\$ 790,000	\$ -	\$ (75,000)	\$ 715,000	\$ 80,000
Direct placement					
\$41,648 installment purchase agreement due in annual installments of \$5,432 to \$7,243 through 2024, non-interest bearing	36,216	-	(7,244)	28,972	7,243
Subtotal - installment debt	826,216	-	(82,244)	743,972	87,243
Capital lease payable	3,007	-	(1,504)	1,503	1,503
Discount on bonds	(9,900)	-	1,100	(8,800)	(1,100)
Total	<u>\$ 819,323</u>	<u>\$ -</u>	<u>\$ (82,648)</u>	<u>\$ 736,675</u>	<u>\$ 87,646</u>
Business-type Activities					
Public placement					
\$1,300,000 Grand Traverse County Septage Plant Bonds due in installments of \$25,000 to \$75,000 through November 1, 2024, interest at 4.50% to 5.00%. The Township's obligation is 30.75% of the outstanding balance.	\$ 57,658	\$ -	\$ (11,531)	\$ 46,127	\$ 11,531
\$2,875,000 sewer/water refunding bonds due in installments of \$265,000 through \$275,000 through November 1, 2023, interest at 1.50% to 2.20%. The Township's obligation is 74.90% of the outstanding balance.	805,135	-	(194,747)	610,388	202,230

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type Activities (concluded)					
\$5,000,000 water system improvement bonds due in annual installments of \$200,000 to \$330,000 through November 1, 2035, with interest ranging from 2.00% to 3.00%	\$ 4,185,000	\$ -	\$ (215,000)	\$ 3,970,000	\$ 215,000
Subtotal - installment debt	5,047,793	-	(421,278)	4,626,515	428,761
\$32,900,000 sewage disposal system bonds based on flow through November 1, 2022, interest at 4.55% to 5.00%	638,336	-	(208,834)	429,502	212,877
Premiums on bonds	31,480	-	(1,968)	29,512	1,968
Total	\$ 5,717,609	\$ -	\$ (632,080)	\$ 5,085,529	\$ 643,606

Annual debt service requirements to maturity for long-term bonds and installment purchase agreement (except the sewage disposal bonds noted below) are as follows:

Governmental Activities - Public Placement		
Year Ended December 31,	Principal	Interest
2021	\$ 80,000	\$ 20,618
2022	80,000	18,218
2023	85,000	15,743
2024	90,000	13,118
2025	90,000	10,418
2026-2028	290,000	14,002
	<u>\$ 715,000</u>	<u>\$ 92,117</u>

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

Governmental Activities - Direct Placement		
Year Ended December 31,	Principal	Interest
2021	\$ 7,243	\$ -
2022	7,244	-
2023	7,243	-
2024	7,242	-
	<u>\$ 28,972</u>	<u>\$ -</u>

Business-type Activities - Public Placement		
Year Ended December 31,	Principal	Interest
2021	\$ 428,761	\$ 119,649
2022	433,761	109,644
2023	437,466	96,254
2024	241,534	89,615
2025	235,000	83,862
2026-2030	1,310,000	338,912
2031-2035	1,539,993	141,450
	<u>\$ 4,626,515</u>	<u>\$ 979,386</u>

The Sewage Disposal System Bonds balance of \$429,502 is not included in the above schedule because the principal and interest payments vary from year to year due to the Township's obligation being based on flow.

Capital Lease

The Township has entered into a lease agreement to finance the purchase of copiers. This lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. Original cost and total accumulated depreciation on these leased assets at year end was \$7,519 and \$4,386, respectively.

The future minimum lease obligation and the net present value of this minimum lease payment as of December 31, 2020 is \$1,503, due in 2021.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

10. JOINT VENTURES

Master Sewer Agreement

The Township entered into a master sewer agreement, effective July 1, 1987 through June 30, 2041, with the City of Traverse City, the Townships of Acme, Peninsula, and Garfield in Grand Traverse County, the Township of Elmwood in Leelanau County, and Grand Traverse County. This master sewer agreement defines the allocation of the costs and established certain rights and responsibilities with respect to the wastewater treatment plant. Grand Traverse County is the owner of the treatment plant and the City of Traverse City is the owner of all multi-user facilities. Ownership of the treatment plant will revert to the City of Traverse City when certain bonds issued by Grand Traverse County are retired.

The City of Traverse City is the exclusive manager of the plant for the benefit of itself, the County, and the townships. As the exclusive manager, the City of Traverse City has the obligation to fully inform and advise the townships as to the treatment plant's operation and the townships shall have the right to comment on all matters connected with the administration of the plant.

Each participant in the joint venture pays an amount sufficient to cover its pro rata share of treatment plant costs. Each participant's pro rata share is determined by the volume of its sewage treated in relation to the total sewage treated at the plant.

Grand Traverse Metro Emergency Services Authority

The Township is a member of the Grand Traverse Metro Emergency Services Authority (the "Authority"). The incorporating municipalities are the Township of Acme, the Charter Township of East Bay, and the Charter Township of Garfield. The purpose of the Authority is to provide fire protection, prevention and inspection, and other emergency health and safety services in accordance with the authorization contained in Act 57, Public Acts of Michigan, 1998 as amended. The Authority's year end is December 31.

The Charter Township of East Bay currently is represented by two (2) of the six (6) members of the Authority Board and has an on-going financial interest in the Authority. There are two (2) members each from the other two (2) Townships. The Charter Township of East Bay's equity interest, as calculated based on the formation agreement, in the Authority at December 31, 2020 was \$2,540,403. The Authority's government-wide total assets at December 31, 2020 were \$9,871,177, total liabilities were \$2,024,593 and total deferred inflows of resources were \$17,914, which resulted in a net position of \$7,828,670. Financial support for the Authority comes mainly from the member Townships based on a funding formula as detailed in the creation agreement. The components of funding are based on the Authority's proposed annual budget and taxable value of the Authority to determine a uniform millage rate. This rate is then applied to all real property in each Township.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

The equity determination at year-end was calculated based on the formation agreement. The agreement states that at termination and dissolution of the Authority, each Township would receive a percentage of the net position based on an analysis of assets and liabilities and applying criteria to each as detailed in the agreement. Based on an analysis at December 31, 2020, the Charter Township of East Bay has an equity interest of approximately 32.45%. The resulting amount has been recorded in the government-wide financial statements of the Township in accordance with applicable GASB standards.

The financial statements of the Authority can be obtained from the East Bay Township Hall, 1965 Three Mile Road, Traverse City, Michigan 49696.

11. RISK MANAGEMENT

The Township participates in the Michigan Township Participating Plan (the "Plan") with other municipalities for auto, employee benefits, property, public officials, electronic data processing (EDP), crime, inland marine, boiler and machinery, and liability losses. The Plan is organized under Public Act 138 of 1982, as amended. The Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to the transfer of risk to U.S. Specialty Insurance Company ("USSIC") backing the Michigan Township Participating Plan under a master policy for the period July 1, 2019 to July 1, 2029. 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 (3) fiscal years.

12. PROPERTY TAXES

The government's property taxes are levied on the assessed taxable value of property in the Township each December 1, which is the lien date, and are due in full by March 1 of the succeeding year, at which time uncollected taxes become delinquent. The December 1 levy is recorded as receivable and deferred inflows at year end because it is intended to fund expenditures of the following fiscal year.

Assessed values as established annually by the government, and subject to acceptance by the Township, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Township for the 2019 levy were assessed and equalized at \$595,253,194 (not including properties subject to Industrial Facilities Tax exemption), representing roughly 50% of estimated current market value. The government's general operating tax rate for the 2019 levy was .7174 mills.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

13. DEFERRED COMPENSATION PLAN

The Township offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in a custodial account as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the Township for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of accounting principles generally accepted in the United States of America, plan balances and activities are not reflected in the Township's financial statements.

14. PENSION PLAN

The Township provides benefits to all of its full-time employees and Township Trustees through a defined contribution benefits plan called the East Bay Charter Township Group Pension Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 11 percent of employees' gross earnings and employee contributions for each employee plus interest allocated to the employee's account which are fully vested immediately. The Plan is administered by Burnham and Flower Insurance Group through John Hancock.

The current year contribution was calculated on covered payroll of \$688,874. This resulted in an employer contribution of \$75,766 for Township employees. Employee contributions were \$33,142.

15. STATE CONSTRUCTION CODE ACT COMPLIANCE

Effective January 1, 2000, 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. The Township has elected to record this activity in the general fund.

Revenues - building fee revenues	\$ 11,680
Expenditures	<u>(176,360)</u>
Current year loss	<u>\$ (164,680)</u>
Loss absorbed in 2001-2020	<u>\$ (974,577)</u>

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

16. FUND BALANCES - GOVERNMENTAL FUNDS

The Township classifies fund balances primarily to the extent of which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Emergency Services	Municipal Streets	Nonmajor Governmental Funds	Total
Nonspendable -					
Prepays	\$ 67,378	\$ 34,473	\$ -	\$ -	\$ 101,851
Long-term advances	456,836	-	-	-	456,836
Total nonspendable	524,214	34,473	-	-	558,687
Restricted for:					
Emergency services activities	-	460,277	-	-	460,277
Street lighting	-	-	-	3,126	3,126
Township improvements	-	-	-	57,790	57,790
Debt service	-	-	181,912	-	181,912
Total restricted	-	460,277	181,912	60,916	703,105
Committed for -					
Capital improvements	-	-	-	28,086	28,086
Assigned	961,001	-	-	-	961,001
Unassigned	2,085,166	-	-	-	2,085,166
Total fund balances, governmental funds	\$ 3,570,381	\$ 494,750	\$ 181,912	\$ 89,002	\$ 4,336,045

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

17. NET INVESTMENT IN CAPITAL ASSETS

The composition of the Township's net investment in capital assets as of year end was as follows:

	Governmental Activities	Business-type Activities
Capital assets, net	\$ 2,572,032	\$ 16,061,648
Related debt:		
Bonds and installment purchase agreement payable	743,972	5,056,017
Capital lease	1,503	-
Bond premium	-	29,512
Bond discount	(8,800)	-
Unspent bond proceeds	-	(725,993)
	<u>736,675</u>	<u>4,359,536</u>
Net investment in capital assets	<u>\$ 1,835,357</u>	<u>\$ 11,702,112</u>

18. COMMITMENTS AND CONTINGENCIES

In December 2020 and 2019, the Township was awarded two DNR Trust Fund Grants in the amount of \$300,000 and \$584,800, respectively, for the purchase of land. As of June 9, 2021, the funds had not yet been received and the land purchase had not yet been finalized. This purchase has been affected by the COVID-19 pandemic and the delayed approval by the State of Michigan for the funding recommended by the Michigan Natural Resources Trust Fund. Additionally, the Township, in coordination with the Grand Traverse Regional Land Conservancy is conducting due diligence on the purchase.

19. IMPLEMENTATION OF GASB STATEMENT NO. 84

The Township adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. There was no effect of this accounting change at the beginning of the year.

20. CORONAVIRUS ("COVID-19")

In March 2020, the World Health Organization declared the novel coronavirus outbreak ("COVID-19") to be a global pandemic. The extent of the ultimate impact of the pandemic on the Township's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the Township for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the Township's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

21. SUBSEQUENT EVENT

In March 2021, the Township entered into an agreement for the purchase of a new ambulance for a total cost of approximately \$234,000.



COMBINING FUND FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2020

	Special Revenue		Capital Projects		Totals
	Street Lights	Developers Escrow	Public Improvement	Township Improvement Revolving	
Assets					
Cash and cash equivalents	\$ 3,725	\$ 103,253	\$ 53,110	\$ 27,814	\$ 187,902
Accounts receivables, net	-	-	4,680	272	4,952
Total assets	<u>\$ 3,725</u>	<u>\$ 103,253</u>	<u>\$ 57,790</u>	<u>\$ 28,086</u>	<u>\$ 192,854</u>
Liabilities					
Accounts payable	\$ 599	\$ 4,344	\$ -	\$ -	\$ 4,943
Escrow deposits	-	98,909	-	-	98,909
Total liabilities	<u>599</u>	<u>103,253</u>	<u>-</u>	<u>-</u>	<u>103,852</u>
Fund balances					
Restricted	3,126	-	57,790	-	60,916
Committed	-	-	-	28,086	28,086
Total fund balances	<u>3,126</u>	<u>-</u>	<u>57,790</u>	<u>28,086</u>	<u>89,002</u>
Total liabilities and fund balances	<u>\$ 3,725</u>	<u>\$ 103,253</u>	<u>\$ 57,790</u>	<u>\$ 28,086</u>	<u>\$ 192,854</u>

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2020

	Special Revenue		Capital Projects		Totals
	Street Lights	Developers Escrow	Public Improvement	Township Improvement Revolving	
Revenues					
Special assessments	\$ 7,254	\$ -	\$ -	\$ -	\$ 7,254
Licenses and permits	-	-	18,052	-	18,052
Zoning fees	-	85,495	-	-	85,495
Total revenues	<u>7,254</u>	<u>85,495</u>	<u>18,052</u>	<u>-</u>	<u>110,801</u>
Expenditures					
Public works	7,562	-	-	1,000	8,562
Community and economic development	-	85,495	5,407	-	90,902
Total expenditures	<u>7,562</u>	<u>85,495</u>	<u>5,407</u>	<u>1,000</u>	<u>99,464</u>
Net change in fund balances	(308)	-	12,645	(1,000)	11,337
Fund balances, beginning of year	<u>3,434</u>	<u>-</u>	<u>45,145</u>	<u>29,086</u>	<u>77,665</u>
Fund balances, end of year	<u>\$ 3,126</u>	<u>\$ -</u>	<u>\$ 57,790</u>	<u>\$ 28,086</u>	<u>\$ 89,002</u>

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INTERNAL CONTROL AND COMPLIANCE

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

June 9, 2021

Board of Trustees
Charter Township of East Bay
Traverse City, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Charter Township of East Bay, Michigan** (the "Township"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 9, 2021.

Internal Control Over Financial Reporting

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

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

Rehmann is an independent member of Nexia International.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

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