

Charter Township of East Bay,
Michigan

Year Ended
December 31,
2019

Financial
Statements

This page intentionally left blank.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	21
Emergency Services Fund	23
Municipal Streets Fund	24
Statement of Net Position - Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27
Statement of Fiduciary Assets and Liabilities	29
Notes to Financial Statements	31
Supplementary Information:	
Combining Fund Financial Statements:	
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	53
Fiduciary Funds:	
Combining Statement of Fiduciary Assets and Liabilities - All Agency Funds	54
Combining Statement of Changes in Fiduciary Assets and Liabilities - All Agency Funds	55



This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT

June 17, 2020

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

Report on 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, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2019, 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.

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.

A handwritten signature in cursive script that reads "Lehmann Johnson LLC".

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, 2019.

Financial Highlights

· Total net position	\$28,637,584
· Change in total net position	1,170,067
· Fund balances, governmental funds	4,073,783
· Change in fund balances, governmental funds	123,771
· Unassigned fund balance, general fund	1,897,171
· Change in fund balance, general fund	141,045
· Long-term debt outstanding	6,536,932
· Change in long-term debt	(685,348)

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 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 six 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 three nonmajor funds, the street lights 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 are 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, net position may serve over time 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 \$28,637,584 at the close of the most recent fiscal year.

Of the Township's net position, \$12,445,127 (43.5 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 \$633,881 (2.2 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 \$15,558,576 (54.3 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 \$1,170,067 during the current fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 9,925,557	\$ 9,732,674	\$ 9,827,607	\$ 8,992,507	\$19,753,164	\$18,725,181
Capital assets, net	2,692,845	2,688,467	15,563,221	15,934,035	18,256,066	18,622,502
Total assets	12,618,402	12,421,141	25,390,828	24,926,542	38,009,230	37,347,683
Current and other liabilities	110,774	98,505	225,449	246,992	336,223	345,497
Long-term debt	819,323	900,159	5,717,609	6,322,121	6,536,932	7,222,280
Total liabilities	930,097	998,664	5,943,058	6,569,113	6,873,155	7,567,777
Total deferred inflows of resources	2,498,491	2,312,389	-	-	2,498,491	2,312,389
Net position:						
Net investment in capital assets	1,873,522	1,788,308	10,571,605	10,337,907	12,445,127	12,126,215
Restricted for public safety	438,958	479,348	-	-	438,958	479,348
Restricted for debt service	146,344	135,730	-	-	146,344	135,730
Restricted for projects	48,579	36,077	-	-	48,579	36,077
Unrestricted	6,682,411	6,670,625	8,876,165	8,019,522	15,558,576	14,690,147
Total net position	\$ 9,189,814	\$ 9,110,088	\$19,447,770	\$18,357,429	\$28,637,584	\$27,467,517

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program revenues:						
Charges for services	\$ 432,393	\$ 1,320,355	\$ 2,447,939	\$ 2,588,479	\$ 2,880,332	\$ 3,908,834
Operating grants	48,364	17,168	-	-	48,364	17,168
General revenues:						
Property taxes	2,340,522	2,132,063	-	-	2,340,522	2,132,063
Intergovernmental	979,768	942,020	-	-	979,768	942,020
Other	70,331	95,650	415,794	312,663	486,125	408,313
Total revenues	3,871,378	4,507,256	2,863,733	2,901,142	6,735,111	7,408,398
Expenses:						
General government	938,165	864,640	-	-	938,165	864,640
Public safety	1,671,197	1,514,958	-	-	1,671,197	1,514,958
Health and welfare	683,844	566,465	-	-	683,844	566,465
Public works	154,157	127,864	-	-	154,157	127,864
Community and economic development	155,676	183,512	-	-	155,676	183,512
Recreation and culture	187,700	175,467	-	-	187,700	175,467
Interest on long-term debt	913	3,293	-	-	913	3,293
Sewer	-	-	945,667	813,297	945,667	813,297
Water	-	-	827,725	1,168,824	827,725	1,168,824
Total expenses	3,791,652	3,436,199	1,773,392	1,982,121	5,565,044	5,418,320
Change in net position	79,726	1,071,057	1,090,341	919,021	1,170,067	1,990,078
Net position:						
Beginning of year	9,110,088	8,039,031	18,357,429	17,438,408	27,467,517	25,477,439
End of year	\$ 9,189,814	\$ 9,110,088	\$19,447,770	\$18,357,429	\$28,637,584	\$27,467,517

Governmental Activities. The net position of the governmental activities increased by \$79,726. This is due to revenues, both within and outside of the township's control or authority, increasing in 2019. For example, revenues directly within control of the Township experienced a 12% growth in 2019 as compared to the previous year. Specifically, licenses & permits related to short term rentals was implemented during the year, which contributed to the revenue growth. Revenues outside of the Township's control or authority also experienced an increase, including as state revenue sharing which increased \$37,748 or 4.0 percent. However, this increase was offset by a decrease in charges for services revenue of \$887,962 or 67.0 percent due to a new special assessment that began in the prior year. Additionally, governmental expenses increased \$355,451 or 10 percent primarily due to expenses related to public safety and health and welfare.

Business-type Activities. The net position of the business-type activities increased by \$1,090,341. The increase is the result of less maintenance costs incurred on the water system and water tower as compared to the previous year.

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 2019, the Township's governmental funds reported combined ending fund balances of \$4,073,783, an increase of \$123,771 in comparison with the prior year. Approximately 46.6 percent of this total amount, or \$1,897,171, 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, \$585,526, represents amounts prepaid for 2020 expenses in 2019 and advances to other funds. The restricted portion of the governmental fund balance, \$600,999, is special assessments payments received for future bond payments, restricted funds for public safety and restricted funds for projects. The remainder of the fund balance, \$29,086, is committed 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 \$1,897,171 while total fund balance was \$3,410,816. The fund balance of the Township's general fund increased by a total \$141,045 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 \$4,996,905 and \$3,879,260, respectively. The sewer fund had a increase for the year of \$365,345 and the water fund had an increase for the year of \$724,996, 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. 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. In 2019, as compared to the General Fund original budget, actual revenues were 7% under budget. As compared to the amended budget, the actual revenues were 12% under budget, primarily due to two reasons: first, reimbursements that were not received for the septage facility advancement repayment and for elections which did not occur; second, the township budgeted using a process which included budgeting a "utilization" of fund balance. There is no accounting entry that would occur to show a revenue in this line item. In 2019, as compared to the original budget, actual expenditures were 9% under budget. As compared to the amended budget, the actual expenditures were 14% less than anticipated. While expenses were less than budgeted or amended, the Township accomplished staffing changes primarily in the Planning & Zoning Department, a capital project at the frequented Grace Macdonald Park which included paving the parking structure and increasing ADA accessibility to features, mitigating Oak Wilt in a heavily-wooded park and requested quotes for property and casualty insurance which produced a significant savings. Expenditures also included items that were not intended to be expended in 2019 but acted as a marker for future expenditures in subsequent years. Much like allocating for fund balance utilization in revenues, this process will be adjusted so that any positive changes to fund balance will then be allocated to projects and priorities.

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, 2019, amounted to \$18,256,066 (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	
	2019	2018	2019	2018	2019	2018
Land	\$ 762,604	\$ 762,604	\$ 151,926	\$ 151,926	\$ 914,530	\$ 914,530
Construction in progress	-	5,403	121,883	56,880	121,883	62,283
Roads and sidewalks	1,008,227	1,090,279	-	-	1,008,227	1,090,279
Buildings and improvements	686,224	521,414	-	-	686,224	521,414
Furniture and equipment	166,731	193,669	-	-	166,731	193,669
Vehicles	69,059	115,098	-	-	69,059	115,098
Water and sewer systems	-	-	13,325,993	13,711,293	13,325,993	13,711,293
Septage treatment facilities	-	-	1,963,419	2,013,936	1,963,419	2,013,936
Total capital assets, net	\$ 2,692,845	\$ 2,688,467	\$15,563,221	\$15,934,035	\$18,256,066	\$18,622,502

The decrease in the Township's investment in capital assets for the current fiscal year of \$366,436 resulted primarily from depreciation expense exceeding capital asset additions. 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 \$6,536,932. The bonds are backed by the full faith and credit of the Township. The long-term debt of the Township decreased by \$685,348 during 2019 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	
	2019	2018	2019	2018	2019	2018
Special assessment bonds	\$ 780,100	\$ 854,000	\$ -	\$ -	\$ 780,100	\$ 854,000
Installment purchase agreements	36,216	41,648	-	-	36,216	41,648
Capital lease	3,007	4,511	-	-	3,007	4,511
Water system improvement bonds	-	-	4,216,480	4,428,448	4,216,480	4,428,448
Contractual obligations with the County	-	-	1,501,129	1,893,673	1,501,129	1,893,673
Total bonded debt outstanding	\$ 819,323	\$ 900,159	\$ 5,717,609	\$ 6,322,121	\$ 6,536,932	\$ 7,222,280

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 2020 fiscal year:

- Collection of 0.7174 mill on Taxable Value.
- The uncertainty of State Revenue Sharing Payments.
- The uncertainty regarding Payment in Lieu of Taxes ("PILT") payments by the State of Michigan.
- 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.
- Consideration of four elections that will occur during the 2020 fiscal year.
- 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.
- The Board of Trustees has passed a conservative balanced budget for 2020, showing a positive change in fund balance which has been allocated to IT hardware, future parkland purchases, and the Arbutus Lake No. 5 Park improvement and Michigan Natural Resources Trust Fund grant match.

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.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Statement of Net Position

December 31, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 3,549,350	\$ 9,147,182	\$ 12,696,532
Restricted cash and cash equivalents	-	725,993	725,993
Receivables, net	3,288,033	446,601	3,734,634
Prepaid items	93,357	-	93,357
Investment in joint venture	2,502,648	-	2,502,648
Internal balances	492,169	(492,169)	-
Capital assets not being depreciated	762,604	273,809	1,036,413
Capital assets being depreciated, net	1,930,241	15,289,412	17,219,653
Total assets	12,618,402	25,390,828	38,009,230
Liabilities			
Accounts payable and accrued liabilities	110,774	225,449	336,223
Long-term debt:			
Due within one year	82,647	632,074	714,721
Due in more than one year	736,676	5,085,535	5,822,211
Total liabilities	930,097	5,943,058	6,873,155
Deferred inflows of resources			
Taxes levied for a subsequent period	2,498,491	-	2,498,491
Net position			
Net investment in capital assets	1,873,522	10,571,605	12,445,127
Restricted for public safety	438,958	-	438,958
Restricted for debt service	146,344	-	146,344
Restricted for projects	48,579	-	48,579
Unrestricted	6,682,411	8,876,165	15,558,576
Total net position	\$ 9,189,814	\$ 19,447,770	\$ 28,637,584

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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position			
Net expense (revenue)	\$ (3,310,895)	\$ 674,547	\$ (2,636,348)
General revenues:			
Property taxes	2,340,522	-	2,340,522
State revenue sharing	979,768	-	979,768
Tower rentals	-	201,913	201,913
Other	19,903	5,080	24,983
Unrestricted investment earnings	50,428	208,801	259,229
Total general revenues	3,390,621	415,794	3,806,415
Change in net position	79,726	1,090,341	1,170,067
Net position, beginning of year	9,110,088	18,357,429	27,467,517
Net position, end of year	<u>\$ 9,189,814</u>	<u>\$ 19,447,770</u>	<u>\$ 28,637,584</u>

concluded.

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, 2019

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenues
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental activities:				
General government	\$ 938,165	\$ 257,996	\$ 48,364	\$ (631,805)
Public safety	1,671,197	7,579	-	(1,663,618)
Health and welfare	683,844	146,447	-	(537,397)
Public works	154,157	2,221	-	(151,936)
Community and economic development	155,676	18,150	-	(137,526)
Recreation and culture	187,700	-	-	(187,700)
Interest on long-term debt	913	-	-	(913)
Total governmental activities	3,791,652	432,393	48,364	(3,310,895)
Business-type activities:				
Sewer	945,667	1,192,350	-	246,683
Water	827,725	1,255,589	-	427,864
Total business-type activities	1,773,392	2,447,939	-	674,547
Total primary government	\$ 5,565,044	\$ 2,880,332	\$ 48,364	\$ (2,636,348)

continued...

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Balance Sheet

Governmental Funds
December 31, 2019

	General	Emergency Services	Municipal Streets	Nonmajor Funds	Totals
Assets					
Cash and cash equivalents	\$ 2,761,859	\$ 597,010	\$ 117,115	\$ 73,366	\$ 3,549,350
Receivables:					
Accounts	62,144	50,366	-	4,841	117,351
Taxes	397,552	1,887,609	-	-	2,285,161
Special assessments	-	-	720,730	-	720,730
Due from other governmental units	164,791	-	-	-	164,791
Prepaid items	60,475	32,882	-	-	93,357
Due from other funds	-	2,974	-	-	2,974
Advances to other funds	492,169	-	-	-	492,169
Total assets	\$ 3,938,990	\$ 2,570,841	\$ 837,845	\$ 78,207	\$ 7,425,883
Liabilities					
Accounts payable	\$ 78,309	\$ 3,987	\$ -	\$ 542	\$ 82,838
Accrued liabilities	13,359	12,571	-	-	25,930
Due to other funds	2,974	-	-	-	2,974
Total liabilities	94,642	16,558	-	542	111,742
Deferred inflows of resources					
Taxes levied for a subsequent period	433,532	2,064,959	-	-	2,498,491
Unavailable revenue	-	50,366	691,501	-	741,867
Total deferred inflows of resources	433,532	2,115,325	691,501	-	3,240,358
Fund balances					
Nonspendable	552,644	32,882	-	-	585,526
Restricted	-	406,076	146,344	48,579	600,999
Committed	-	-	-	29,086	29,086
Assigned	961,001	-	-	-	961,001
Unassigned	1,897,171	-	-	-	1,897,171
Total fund balances	3,410,816	438,958	146,344	77,665	4,073,783
Total liabilities, deferred inflows of resources and fund balances	\$ 3,938,990	\$ 2,570,841	\$ 837,845	\$ 78,207	\$ 7,425,883

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, 2019

Fund balances - total governmental funds	\$ 4,073,783
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.</p>	
Capital assets not being depreciated	762,604
Capital assets being depreciated, net	1,930,241
<p>Equity interest in joint ventures are not financial resources and therefore are not reported in the funds.</p>	
Equity in joint venture	2,502,648
<p>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.</p>	
Unavailable revenue	741,867
<p>Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.</p>	
Bonds, installment purchase agreements, and capital leases payable	(829,223)
Unamortized bond discount	9,900
Accrued interest on long-term debt	(2,006)
Net position of governmental activities	<u><u>\$ 9,189,814</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, 2019

	General	Emergency Services	Municipal Streets	Nonmajor Funds	Totals
Revenues					
Taxes	\$ 443,661	\$ 1,896,861	\$ -	\$ -	\$ 2,340,522
Special assessments	-	-	109,875	6,554	116,429
Intergovernmental	1,022,312	-	-	-	1,022,312
Licenses and permits	243,592	-	-	18,150	261,742
Charges for services	14,404	128,128	-	-	142,532
Interest	38,245	12,183	2,933	-	53,361
Other	17,879	8,869	-	-	26,748
Total revenues	1,780,093	2,046,041	112,808	24,704	3,963,646
Expenditures					
Current:					
Legislative	69,460	-	-	-	69,460
General government	679,206	-	-	-	679,206
Public safety	-	1,489,849	-	-	1,489,849
Health and welfare	-	564,416	-	-	564,416
Public works	27,499	-	1,500	6,673	35,672
Community and economic development	161,898	-	-	5,530	167,428
Recreation and culture	141,583	-	-	-	141,583
Debt service:					
Principal	6,936	-	-	75,000	81,936
Interest	225	-	-	25,693	25,918
Capital outlay	208,198	32,166	-	-	240,364
Other	344,043	-	-	-	344,043
Total expenditures	1,639,048	2,086,431	1,500	112,896	3,839,875
Revenues over (under) expenditures	141,045	(40,390)	111,308	(88,192)	123,771
Other financing sources (uses)					
Transfers in	3,503	-	-	100,694	104,197
Transfers out	(3,503)	-	(100,694)	-	(104,197)
Total other financing sources (uses)	-	-	(100,694)	100,694	-
Net change in fund balances	141,045	(40,390)	10,614	12,502	123,771
Fund balances, beginning of year	3,269,771	479,348	135,730	65,163	3,950,012
Fund balances, end of year	\$ 3,410,816	\$ 438,958	\$ 146,344	\$ 77,665	\$ 4,073,783

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, 2019

Net change in fund balances - total governmental funds	\$ 123,771
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	219,615
Depreciation expense	(215,237)
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	(37,178)
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	(92,268)
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	81,936
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	187
Change in net position of governmental activities	<u><u>\$ 79,726</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 Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues				
Taxes	\$ 447,315	\$ 442,302	\$ 443,661	\$ 1,359
Intergovernmental	957,895	1,018,271	1,022,312	4,041
Licenses and permits	285,000	288,660	243,592	(45,068)
Charges for services	10,000	10,000	14,404	4,404
Interest	14,429	27,246	38,245	10,999
Other	200,013	231,643	17,879	(213,764)
Total revenues	1,914,652	2,018,122	1,780,093	(238,029)
Expenditures				
Legislative - Township board	75,241	77,841	69,460	(8,381)
General government:				
Supervisor	69,147	70,697	70,755	58
Assessor	188,655	188,022	186,442	(1,580)
Elections	18,400	20,181	5,993	(14,188)
Clerk	118,403	118,403	113,584	(4,819)
Board of review	3,111	3,111	1,890	(1,221)
Treasurer	117,323	116,901	113,512	(3,389)
Buildings and grounds	196,009	196,009	187,030	(8,979)
Total general government	711,048	713,324	679,206	(34,118)
Public works:				
Highways, streets, and bridges	8,100	8,100	6,749	(1,351)
Street lighting	20,000	23,000	20,750	(2,250)
Total public works	28,100	31,100	27,499	(3,601)
Community and economic development:				
Planning commission/board of appeals	45,484	45,484	41,491	(3,993)
Planner/zoning administrator	168,349	168,349	120,407	(47,942)
Total community and economic development	213,833	213,833	161,898	(51,935)

continued...

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, 2019

	Original Budget	Final Budget	Actual	Variance from Final Budget
Expenditures (concluded)				
Recreation and culture:				
Parks and recreation	\$ 183,934	\$ 213,996	\$ 141,583	\$ (72,413)
Debt service:				
Principal	1,700	6,908	6,936	28
Interest	-	225	225	-
Total debt service	1,700	7,133	7,161	28
Capital outlay	175,700	271,805	208,198	(63,607)
Other	410,235	372,550	344,043	(28,507)
Total expenditures	1,799,791	1,901,582	1,639,048	(262,534)
Revenues over expenditures	114,861	116,540	141,045	24,505
Other financing sources (uses)				
Transfers in	-	11,750	3,503	(8,247)
Transfers out	(61,000)	(80,607)	(3,503)	77,104
Total other financing sources (uses)	(61,000)	(68,857)	-	68,857
Net change in fund balance	53,861	47,683	141,045	93,362
Fund balance, beginning of year	3,269,771	3,269,771	3,269,771	-
Fund balance, end of year	\$ 3,323,632	\$ 3,317,454	\$ 3,410,816	\$ 93,362

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, 2019

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues				
Taxes	\$ 1,891,122	\$ 1,891,334	\$ 1,896,861	\$ 5,527
Charges for services	168,000	168,000	128,128	(39,872)
Interest	500	6,520	12,183	5,663
Other	117,000	40,370	8,869	(31,501)
Total revenues	<u>2,176,622</u>	<u>2,106,224</u>	<u>2,046,041</u>	<u>(60,183)</u>
Expenditures				
Public safety:				
Sheriff patrol	252,180	252,180	172,203	(79,977)
Metro services	1,303,958	1,303,958	1,317,646	13,688
Total public safety	<u>1,556,138</u>	<u>1,556,138</u>	<u>1,489,849</u>	<u>(66,289)</u>
Health and welfare:				
Ambulance services	561,222	614,592	564,416	(50,176)
Capital outlay	181,000	74,100	32,166	(41,934)
Total expenditures	<u>2,298,360</u>	<u>2,244,830</u>	<u>2,086,431</u>	<u>(158,399)</u>
Revenues over (under) expenditures	(121,738)	(138,606)	(40,390)	98,216
Other financing sources				
Transfers in	82,000	82,000	-	(82,000)
Net change in fund balance	<u>(39,738)</u>	<u>(56,606)</u>	<u>(40,390)</u>	<u>16,216</u>
Fund balance, beginning of year	<u>479,348</u>	<u>479,348</u>	<u>479,348</u>	<u>-</u>
Fund balance, end of year	<u>\$ 439,610</u>	<u>\$ 422,742</u>	<u>\$ 438,958</u>	<u>\$ 16,216</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, 2019

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues				
Special assessments	\$ -	\$ 81,530	\$ 109,875	\$ 28,345
Interest	-	1,539	2,933	1,394
Total revenues	-	83,069	112,808	29,739
Expenditures				
Public works	-	-	1,500	1,500
Revenues over expenditures	-	83,069	111,308	28,239
Other financing uses				
Transfers out	-	-	(100,694)	(100,694)
Net change in fund balance	-	83,069	10,614	(72,455)
Fund balance, beginning of year	135,730	135,730	135,730	-
Fund balance, end of year	<u>\$ 135,730</u>	<u>\$ 218,799</u>	<u>\$ 146,344</u>	<u>\$ (72,455)</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, 2019

	Sewer	Water	Totals
Assets			
Current assets:			
Cash and investments	\$ 4,527,091	\$ 2,884,379	\$ 7,411,470
Cash held with Grand Traverse County	40,006	31,800	71,806
Restricted cash and cash equivalents	-	725,993	725,993
Receivables	265,061	181,540	446,601
Total current assets	4,832,158	3,823,712	8,655,870
Noncurrent assets:			
Investments	815,314	848,592	1,663,906
Capital assets not being depreciated	273,809	-	273,809
Capital assets being depreciated, net	6,753,772	8,535,640	15,289,412
Total noncurrent assets	7,842,895	9,384,232	17,227,127
Total assets	12,675,053	13,207,944	25,882,997
Liabilities			
Current liabilities:			
Accounts payable	155,261	46,778	202,039
Accrued interest payable	3,137	20,273	23,410
Current portion of bonds payable	231,373	400,701	632,074
Total current liabilities	389,771	467,752	857,523
Advance from other funds	492,169	-	492,169
Long-term debt -			
Bonds payable, net of current portion	510,130	4,575,405	5,085,535
Total liabilities	1,392,070	5,043,157	6,435,227
Net position			
Net investment in capital assets	6,286,078	4,285,527	10,571,605
Unrestricted	4,996,905	3,879,260	8,876,165
Total net position	\$ 11,282,983	\$ 8,164,787	\$ 19,447,770

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, 2019

	Sewer	Water	Totals
Operating revenues			
User fee charges	\$ 1,192,350	\$ 1,255,589	\$ 2,447,939
Operating expenses			
Cost of water	-	463,334	463,334
Sewage treatment	632,011	-	632,011
Depreciation	264,839	237,328	502,167
Total operating expenses	896,850	700,662	1,597,512
Operating income	295,500	554,927	850,427
Nonoperating revenues (expenses)			
Interest income	113,582	95,219	208,801
Interest expense	(25,312)	(127,063)	(152,375)
Tower rental income	-	201,913	201,913
Loss on disposal of capital assets	(23,505)	-	(23,505)
Other	5,080	-	5,080
Nonoperating revenues, net	69,845	170,069	239,914
Change in net position	365,345	724,996	1,090,341
Net position, beginning of year	10,917,638	7,439,791	18,357,429
Net position, end of year	\$ 11,282,983	\$ 8,164,787	\$ 19,447,770

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, 2019

	Sewer	Water	Totals
Cash flows from operating activities			
Cash received from customers	\$ 1,175,991	\$ 1,236,855	\$ 2,412,846
Cash payments to suppliers for goods and services	(617,320)	(493,402)	(1,110,722)
Net cash provided by operating activities	<u>558,671</u>	<u>743,453</u>	<u>1,302,124</u>
Cash flows from noncapital financing activities			
Rental income	-	201,913	201,913
Cash flows from capital and related financing activities			
Repayment of interfund advance	(35,362)	-	(35,362)
Purchase of capital assets	(65,003)	(89,855)	(154,858)
Principal payments	(201,733)	(400,811)	(602,544)
Interest payments	(30,142)	(130,367)	(160,509)
Net cash used in capital and related financing activities	<u>(332,240)</u>	<u>(621,033)</u>	<u>(953,273)</u>
Cash flows from investing activities			
Interest received	118,659	95,222	213,881
Net change in cash and cash equivalents	<u>345,090</u>	<u>419,555</u>	<u>764,645</u>
Cash and cash equivalents, beginning of year	<u>4,222,007</u>	<u>3,222,617</u>	<u>7,444,624</u>
Cash and cash equivalents, end of year	<u>\$ 4,567,097</u>	<u>\$ 3,642,172</u>	<u>\$ 8,209,269</u>
Reconciliation to the Statement of Net Position			
Cash and investments	\$ 4,527,091	\$ 2,884,379	\$ 7,411,470
Cash held with Grand Traverse County	40,006	31,800	71,806
Restricted cash and cash equivalents	-	725,993	725,993
	<u>\$ 4,567,097</u>	<u>\$ 3,642,172</u>	<u>\$ 8,209,269</u>

continued...

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2019

	Sewer	Water	Totals
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 295,500	\$ 554,927	\$ 850,427
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	264,839	237,328	502,167
Change in operating assets and liabilities:			
Accounts receivable	(16,359)	(18,734)	(35,093)
Accounts payable	14,691	(30,068)	(15,377)
Net cash provided by operating activities	<u>\$ 558,671</u>	<u>\$ 743,453</u>	<u>\$ 1,302,124</u>

concluded.

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

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Statement of Fiduciary Assets and Liabilities

Agency Funds
December 31, 2019

Assets

Cash and investments	\$ 1,281,497
Receivables	7,857
	<hr/>

Total assets

\$ 1,289,354

Liabilities

Due to other governments	\$ 1,210,397
Due to others	78,957
	<hr/>

Total liabilities

\$ 1,289,354

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

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 supervisor and a seven-member board. 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 agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are 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.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity (such as taxes collected for other governments).

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, and 2) operating 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

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.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

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.

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.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

2. BUDGETARY INFORMATION

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. All annual appropriations lapse at fiscal year end.

The budgets for the general fund and special revenue funds are adopted at the department level. The government does not utilize encumbrance accounting.

3. EXCESS OF EXPENDITURES OVER BUDGET

State statutes provide that a local unit shall not incur expenditures in excess of the amounts appropriated. The approved budgets of the Township were adopted on a activity level basis for the general fund and special revenue funds.

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

	Final Budget	Actual	Excess
General fund:			
General government -			
Supervisor	\$ 70,697	\$ 70,755	\$ 58
Debt service:			
Principal	6,908	6,936	28
Emergency services fund -			
Public safety:			
Metro services	1,303,958	1,317,646	13,688
Municipal streets fund -			
Public works	-	1,500	1,500
Other financing uses:			
Transfers out	-	100,694	100,694

These excesses over appropriations were funded by available fund balance.

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	\$ 12,696,532
Restricted cash and cash equivalents	725,993
	<u>13,422,525</u>

Statement of Fiduciary Assets and Liabilities

Cash and investments	<u>1,281,497</u>
----------------------	------------------

Total	<u><u>\$ 14,704,022</u></u>
--------------	-----------------------------

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

Following is a reconciliation of deposit and investment balances as of December 31, 2019:

Deposits and investments

Bank deposits:	
Checking and savings accounts	\$ 2,607,444
Certificate of deposit - due in one year	1,314,971
Certificate of deposit - due in one to five years	1,270,506
Cash held with Grand Traverse County	71,806
Investments	9,438,895
Cash on hand	<u>400</u>
Total	<u><u>\$ 14,704,022</u></u>

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, \$3,224,030 of the Township’s bank balance of \$5,295,836 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

	Fair Value	Credit Rating	Maturity
Money market accounts	\$ 7,413,807	N/A	N/A
Commercial paper	1,020,803	A-1 S&P	<1 year
Municipal bonds	501,025	Aa1 Moody's	<1 year
Municipal bonds	<u>503,260</u>	AA S&P	1-5 years
Total	<u><u>\$ 9,438,895</u></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.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

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.

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, 2019, the Township had greater than 5% of its total investment portfolio concentrated as follows:

Investment Type	Issuer	% of Portfolio
Commercial Paper	Toyota MTR	5.28%
Commercial Paper	MUFG BK LTD	5.54%
Money market	Michigan CLASS	61.93%
Money market	Huntington Bank	7.24%
Municipal Bonds	Hartland, Michigan Schools	5.31%
Municipal Bonds	Lincoln, Michigan Schools	5.33%

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, 2019
Investments at fair value:				
Money market accounts	\$ -	\$ 1,568,017	\$ -	\$ 1,568,017
Commercial paper	-	1,020,803	-	1,020,803
Municipal bonds	-	1,004,285	-	1,004,285
	<u>\$ -</u>	<u>\$ 3,593,105</u>	<u>\$ -</u>	<u>3,593,105</u>
Assets carried at net asset value:				
Michigan CLASS government investment pool				<u>5,845,790</u>
Total investments				<u>\$ 9,438,895</u>

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

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.

At year end, the net asset value of the Township's investment in Michigan CLASS was \$5,845,790. 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:

	General Fund	Emergency Services	Municipal Streets	Nonmajor Funds	Total Governmental Activities
Accounts	\$ 62,144	\$ 55,963	\$ -	\$ 4,841	\$ 122,948
Allowance for doubtful accounts	-	(5,597)	-	-	(5,597)
Taxes	397,552	1,887,609	-	-	2,285,161
Special assessments	-	-	720,730	-	720,730
Due from other governments	164,791	-	-	-	164,791
	<u>\$ 624,487</u>	<u>\$ 1,937,975</u>	<u>\$ 720,730</u>	<u>\$ 4,841</u>	<u>\$ 3,288,033</u>

	Sewage Disposal	Water Extension	Total Business-type Activities
Accounts	\$ 220,367	\$ 176,147	\$ 396,514
Interest	6,591	5,393	11,984
Special assessments	38,103	-	38,103
	<u>\$ 265,061</u>	<u>\$ 181,540</u>	<u>\$ 446,601</u>

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 82,838	\$ 202,039
Accrued liabilities	25,930	-
Accrued interest	2,006	23,410
	<u>\$ 110,774</u>	<u>\$ 225,449</u>

7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2019, is as follows:

	Receivable	Payable
Due to and from primary government funds		
General fund	\$ -	\$ 2,974
Emergency services fund	2,974	-
Total	<u>\$ 2,974</u>	<u>\$ 2,974</u>
Advances to and from other funds		
General fund	\$ 492,169	\$ -
Sewage disposal fund	-	492,169
Total	<u>\$ 492,169</u>	<u>\$ 492,169</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.

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

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, 2019, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 762,604	\$ -	\$ -	\$ -	\$ 762,604
Construction in progress	5,403	-	-	(5,403)	-
	<u>768,007</u>	<u>-</u>	<u>-</u>	<u>(5,403)</u>	<u>762,604</u>
Capital assets being depreciated:					
Roads and sidewalks	1,234,839	-	-	-	1,234,839
Buildings and improvements	1,247,588	190,624	-	5,403	1,443,615
Furniture and equipment	714,007	28,991	(75,474)	-	667,524
Vehicles	589,300	-	-	-	589,300
	<u>3,785,734</u>	<u>219,615</u>	<u>(75,474)</u>	<u>5,403</u>	<u>3,935,278</u>
Less accumulated depreciation for:					
Roads and sidewalks	(144,560)	(82,052)	-	-	(226,612)
Buildings and improvements	(726,174)	(31,217)	-	-	(757,391)
Furniture and equipment	(520,338)	(55,929)	75,474	-	(500,793)
Vehicles	(474,202)	(46,039)	-	-	(520,241)
	<u>(1,865,274)</u>	<u>(215,237)</u>	<u>75,474</u>	<u>-</u>	<u>(2,005,037)</u>
Total capital assets being depreciated, net	<u>1,920,460</u>	<u>4,378</u>	<u>-</u>	<u>5,403</u>	<u>1,930,241</u>
Governmental activities capital assets, net	<u>\$ 2,688,467</u>	<u>\$ 4,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,692,845</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	56,880	65,003	-	-	121,883
	<u>208,806</u>	<u>65,003</u>	<u>-</u>	<u>-</u>	<u>273,809</u>
Capital assets being depreciated:					
Water and sewer systems	22,567,502	89,855	(35,071)	-	22,622,286
Septage treatment facilities	2,525,880	-	-	-	2,525,880
	<u>25,093,382</u>	<u>89,855</u>	<u>(35,071)</u>	<u>-</u>	<u>25,148,166</u>
Less accumulated depreciation for:					
Water and sewer systems	(8,856,209)	(451,650)	11,566	-	(9,296,293)
Septage treatment facilities	(511,944)	(50,517)	-	-	(562,461)
	<u>(9,368,153)</u>	<u>(502,167)</u>	<u>11,566</u>	<u>-</u>	<u>(9,858,754)</u>
Total capital assets being depreciated, net	<u>15,725,229</u>	<u>(412,312)</u>	<u>(23,505)</u>	<u>-</u>	<u>15,289,412</u>
Business-type activities capital assets, net	<u>\$ 15,934,035</u>	<u>\$ (347,309)</u>	<u>\$ (23,505)</u>	<u>\$ -</u>	<u>\$ 15,563,221</u>

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

Depreciation of governmental activities by function

General government	\$ 51,561
Public safety	3,792
Health and welfare	52,001
Public works	78,801
Recreation and culture	29,082
	<u>\$ 215,237</u>

Depreciation of business-type activities by function

Sewage disposal	\$ 264,839
Water extension	237,328
	<u>\$ 502,167</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, 2019, 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%	\$ 865,000	\$ -	\$ (75,000)	\$ 790,000	\$ 75,000
Direct placement					
\$41,648 installment purchase agreement due in annual installments of \$5,432 to \$7,243 through 2024, non-interest bearing	41,648	-	(5,432)	36,216	7,243
Subtotal - installment debt	906,648	-	(80,432)	826,216	82,243
Capital lease	4,511	-	(1,504)	3,007	1,504
Discount on bonds	(11,000)	-	1,100	(9,900)	(1,100)
Total	\$ 900,159	\$ -	\$ (80,836)	\$ 819,323	\$ 82,647
Business-type Activities					
\$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.	\$ 69,189	\$ -	\$ (11,531)	\$ 57,658	\$ 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.	1,007,372	-	(202,237)	805,135	194,740

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
\$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%	\$ 4,395,000	\$ -	\$ (210,000)	\$ 4,185,000	\$ 215,000
Subtotal - installment debt	5,471,561	-	(423,768)	5,047,793	421,271
\$32,900,000 sewage disposal system bonds based on flow through November 1, 2022, interest at 4.55% to 5.00%	817,112	-	(178,776)	638,336	208,835
Premiums on bonds	33,448	-	(1,968)	31,480	1,968
Total	\$ 6,322,121	\$ -	\$ (604,512)	\$ 5,717,609	\$ 632,074

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

Governmental Activities - Public Placement		
Year Ended December 31,	Principal	Interest
2020	\$ 75,000	\$ 22,943
2021	80,000	20,619
2022	80,000	18,219
2023	85,000	15,743
2024	90,000	13,118
2025-2029	380,000	24,420
	\$ 790,000	\$ 115,062

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

Governmental Activities - Direct Placement		
Year Ended December 31,	Principal	Interest
2020	\$ 7,243	\$ -
2021	7,244	-
2022	7,243	-
2023	7,243	-
2024	7,243	-
	<u>\$ 36,216</u>	<u>\$ -</u>

Business-type Activities		
Year Ended December 31,	Principal	Interest
2020	\$ 421,271	\$ 129,443
2021	428,761	119,649
2022	433,761	109,644
2023	437,466	96,254
2024	241,534	89,615
2025-2029	1,270,000	368,324
2030-2034	1,485,000	186,000
2035	330,000	9,900
	<u>\$ 5,047,793</u>	<u>\$ 1,108,829</u>

The Sewage Disposal System Bonds balance of \$638,336 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 Leases

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 \$3,312, respectively.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, are as follows:

Year Ended December 31,	Amount
2020	\$ 1,504
2021	<u>1,503</u>
Total	<u><u>\$ 3,007</u></u>

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, 2019 was \$2,502,648. The Authority's government-wide total assets at December 31, 2019 were \$9,063,161, total liabilities were \$1,333,026 and total deferred inflows of resources were \$5,809, which resulted in a net position of \$7,724,221. 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.

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, 2019, the Charter Township of East Bay has an equity interest of approximately 32.40%. The resulting amount has been recorded in the government-wide financial statements of the Township in accordance with applicable GASB standards.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

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 2018 levy were assessed and equalized at \$545,280,201 (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 2018 levy was .7230 mills.

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.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Notes To Financial Statements

14. PENSION PLAN

The Township provides benefits to all of its full-time employees 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 \$547,364. This resulted in an employer contribution of \$60,210 for Township employees. Employee contributions were \$40,602.

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	\$ 14,534
Expenditures	<u>(120,407)</u>
Current year loss	<u>\$ (105,873)</u>
Loss absorbed in 2001-2019	<u>\$ (809,897)</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 Funds	Total
Nonspendable -					
Prepays	\$ 60,475	\$ 32,882	\$ -	\$ -	\$ 93,357
Long-term advances	492,169	-	-	-	492,169
Total nonspendable	<u>552,644</u>	<u>32,882</u>	<u>-</u>	<u>-</u>	<u>585,526</u>
Restricted for:					
Emergency services activities	-	406,076	-	-	406,076
Street lighting	-	-	-	3,434	3,434
Township improvements	-	-	-	45,145	45,145
Debt service	-	-	146,344	-	146,344
Total restricted	<u>-</u>	<u>406,076</u>	<u>146,344</u>	<u>48,579</u>	<u>600,999</u>
Committed for -					
Capital improvements	-	-	-	29,086	29,086
Assigned	<u>961,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>961,001</u>
Unassigned	<u>1,897,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,897,171</u>
Total fund balances, governmental funds	<u><u>\$ 3,410,816</u></u>	<u><u>\$ 438,958</u></u>	<u><u>\$ 146,344</u></u>	<u><u>\$ 77,665</u></u>	<u><u>\$ 4,073,783</u></u>

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	<u>\$ 2,692,845</u>	<u>\$ 15,563,221</u>
Related debt:		
Bonds and installment purchase agreement payable	826,216	5,686,129
Capital lease	3,007	-
Bond premium	-	31,480
Bond discount	(9,900)	-
Unspent bond proceeds	-	(725,993)
	<u>819,323</u>	<u>4,991,616</u>
Net investment in capital assets	<u><u>\$ 1,873,522</u></u>	<u><u>\$ 10,571,605</u></u>

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

■ Notes To Financial Statements

18. COMMITMENTS AND CONTINGENCIES

During 2019, the Township entered into a sewer rehabilitation project with an expected cost of \$904,241. This project is expected to be funded 48.8 percent by East Bay Township and 51.2 percent by Acme Township. This split is based on the Sewer System Usage Agreement signed in August 2013. Construction began in May 2020 and the contractual substantial completion date is August 1, 2020.

In December 2019, the Township was awarded a DNR Trust Fund Grant in the amount of \$584,800 for the purchase of land. As of June 17, 2020, the funds had not yet been received and the land purchase had not yet been finalized.

19. SUBSEQUENT EVENTS

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.



COMBINING FUND FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2019

	Special Revenue	Capital Projects		Totals
	Street Lights	Public Improvement	Township Improvement Revolving	
Assets				
Cash and cash equivalents	\$ 3,976	\$ 40,576	\$ 28,814	\$ 73,366
Accounts receivables, net	-	4,569	272	4,841
Total assets	<u>\$ 3,976</u>	<u>\$ 45,145</u>	<u>\$ 29,086</u>	<u>\$ 78,207</u>
Liabilities				
Accounts payable	\$ 542	\$ -	\$ -	\$ 542
Fund balances				
Restricted	3,434	45,145		48,579
Committed	-	-	29,086	29,086
Total fund balances	<u>3,434</u>	<u>45,145</u>	<u>29,086</u>	<u>77,665</u>
Total liabilities and fund balances	<u>\$ 3,976</u>	<u>\$ 45,145</u>	<u>\$ 29,086</u>	<u>\$ 78,207</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, 2019

	Special Revenue	Capital Projects		Totals
	Street Lights	Public Improvement	Township Improvement Revolving	
Revenues				
Special assessments	\$ 6,554	\$ -	\$ -	\$ 6,554
Licenses and permits	-	18,150	-	18,150
Total revenues	<u>6,554</u>	<u>18,150</u>	<u>-</u>	<u>24,704</u>
Expenditures				
Public works	6,673	-	-	6,673
Community and economic development	-	5,530	-	5,530
Debt service:				
Principal	75,000	-	-	75,000
Interest	25,693	-	-	25,693
Total expenditures	<u>107,366</u>	<u>5,530</u>	<u>-</u>	<u>112,896</u>
Revenues over (under) expenditures	(100,812)	12,620	-	(88,192)
Other financing sources				
Transfers in	100,694	-	-	100,694
Net changes in fund balances	(118)	12,620	-	12,502
Fund balances, beginning of year	3,552	32,525	29,086	65,163
Fund balances, end of year	<u>\$ 3,434</u>	<u>\$ 45,145</u>	<u>\$ 29,086</u>	<u>\$ 77,665</u>

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

All Agency Funds
December 31, 2019

	Property Tax	Developers Escrow	Total
Assets			
Cash and investments	\$ 1,210,397	\$ 71,100	\$ 1,281,497
Receivables	-	7,857	7,857
Total assets	<u>\$ 1,210,397</u>	<u>\$ 78,957</u>	<u>\$ 1,289,354</u>
Liabilities			
Due to other governments	\$ 1,210,397	\$ -	\$ 1,210,397
Due to others	-	78,957	78,957
Total liabilities	<u>\$ 1,210,397</u>	<u>\$ 78,957</u>	<u>\$ 1,289,354</u>

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

All Agency Funds

For the Year Ended December 31, 2019

	Beginning Balance	Additions	Deductions	Ending Balance
Property Tax				
Assets				
Cash and cash equivalents	\$ 1,840,589	\$ 20,450,827	\$ 21,081,019	\$ 1,210,397
Liabilities				
Due to other governments	\$ 1,840,589	\$ 20,233,847	\$ 20,864,039	\$ 1,210,397
Developers Escrow				
Assets				
Cash and cash equivalents	\$ 84,357	\$ 77,813	\$ 91,070	\$ 71,100
Receivables	-	7,857	-	7,857
	\$ 84,357	\$ 85,670	\$ 91,070	\$ 78,957
Liabilities				
Due to other governments	\$ 82	\$ -	\$ 82	\$ -
Due to others	84,275	172,198	177,516	78,957
	\$ 84,357	\$ 172,198	\$ 177,598	\$ 78,957

This page intentionally left blank.

INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

June 17, 2020

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

We have audited 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* (the "Township") as of and for the year ended December 31, 2019, and have issued our report thereon dated June 17, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated March 16, 2020, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on April 8, 2020.

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of the Township's Significant Accounting Practices

Significant Accounting Policies

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

There have been no initial selections of accounting policies and no changes in significant account policies or their application during the year.

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

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- 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.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- 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.

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

Significant Difficulties Encountered During the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during our audit.

The schedule of adjustments passed is included with management's written representations in Attachment B to this letter, and summarizes an uncorrected financial statement misstatement whose effect in the current period, as determined by management, is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Representations Requested from Management

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

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

Other Information in Documents Containing Audited Financial Statements

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

statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

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

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

Very truly yours,

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

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Attachment A - Upcoming Changes in Accounting Standards / Regulations

For the December 31, 2019 Audit

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

GASB 83 ■ Certain Asset Retirement Obligations

Effective 06/15/2020 (your FY 2020)

This standard addresses accounting and financial reporting for certain asset retirement obligations--legally enforceable liabilities associated with the retirement of a tangible capital asset. We do not expect this standard to have any significant effect on the Township.

GASB 84 ■ Fiduciary Activities

Effective 12/15/2020 (your FY 2020)

This standard establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods.

GASB 87 ■ Leases

Effective 06/15/2022 (your FY 2022)

This standard establishes a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

GASB 89 ■ Accounting for Interest Cost Incurred before the End of a Construction Period

Effective 12/15/2021 (your FY 2021)

This standard eliminates the requirement for governments to capitalize interest during the construction period for business-type activities. As this simplifies the accounting for interest, early implementation is encouraged. We do not expect this standard to have any significant effect on the Township.

GASB 91 ■ Conduit Debt Obligations

Effective 12/15/2022 (your FY 2022)

This standard defines "conduit debt obligations", where a government issues debt whose proceeds are received and repaid by a third-party obligor without the issuer being primarily liable. The standard requires issuers to disclose conduit debt obligations, but not to record a liability unless it is *more likely than not* that a commitment made by the issuer will require it to support one or more debt payments for a conduit debt obligation. We do not expect this standard to have any significant effect on the Township.

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Attachment A - Upcoming Changes in Accounting Standards / Regulations

For the December 31, 2019 Audit

GASB 92 ■ Omnibus 2020

Effective 06/15/2022 (your FY 2022)

This standard includes a variety of small technical revisions to previously issued GASB statements. We do not expect this standard to have any significant effect on the Township.

GASB 93 ■ Replacement of Interbank Offered Rates

Effective 06/15/2022 (your FY 2022)

This standard provides guidance to governments with agreements with variable payments tied to LIBOR, and how to transition them to a new reference rate. We do not expect this standard to have any significant effect on the Township.

GASB 94 ■ Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Effective 06/15/2023 (your FY 2023)

This standard addresses accounting and financial reporting for arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a capital asset for a period of time in an exchange or exchange-like transaction. We do not expect this standard to have any significant effect on the Township.

GASB 96 ■ Subscription-Based Information Technology Arrangements

Effective 06/15/2023 (your FY 2023)

This standard expands on the new guidance for leases and applies it to computer software contracts (subscriptions) with similar characteristics. Governments that subscribe to a vendor's IT software will now report offsetting intangible subscription assets and subscription liabilities equal to the present value of future subscription payments.



CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Attachment B - Management Representations

For the December 31, 2019 Audit

The following pages contain the written representations that we requested from management.



June 17, 2020

Rehmann Robson
107 S. Cass Street, Suite A
Traverse City, Michigan 49684

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of *Charter Township of East Bay*, as of and for the year ended December 31, 2019, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the respective budgetary comparison for the General Fund and each major special revenue fund of the Township in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

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

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of June 17, 2020:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 16, 2020, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
11. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
12. All funds and activities are properly classified.
13. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All components of net position and fund balance classifications have been properly reported.
15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
17. All interfund and intra-entity transactions and balances have been properly classified and reported.
18. Special items and extraordinary items have been properly classified and reported.
19. Deposit and investment risks have been properly and fully disclosed.
20. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
21. All required supplementary information is measured and presented within the prescribed guidelines.
22. In response to the novel coronavirus outbreak (COVID-19), subsequent to year end, the Governor issued various temporary Executive Orders that, among other stipulations, effectively prohibit in-person work activities for most businesses and industries including non-essential government services, having the effect of suspending or severely curtailing operations. As a result, the COVID-19 outbreak is disrupting and affecting the government's normal activities. The extent of the ultimate impact of the pandemic on the government's operational and financial performance will depend on certain 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 government for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the government'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.

Information Provided

23. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the Township from whom you determined it necessary to obtain audit evidence.
24. All transactions have been recorded in the accounting records and are reflected in the financial statements.
25. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
26. We have no knowledge of any fraud or suspected fraud that affects the Township and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
27. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Township's financial statements communicated by employees, former employees, vendors, regulators, or others.
28. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
29. We have disclosed to you the identity of the Township's related parties and all the related party relationships and transactions of which we are aware.
30. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
31. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
32. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
33. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
34. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.
35. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
36. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
37. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62.

geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

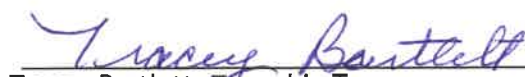
Supplementary Information in Relation to the Financial Statements as a Whole

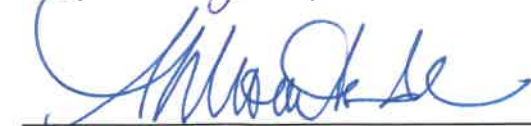
38. With respect to the supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the supplementary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

Required Supplementary Information

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


Beth Friend, Township Supervisor


Tracey Bartlett, Township Treasurer


Susanne Courtade, Township Clerk

CHARTER TOWNSHIP OF EAST BAY, MICHIGAN

Schedule of Adjustments Passed (SOAP)

For the December 31, 2019 Audit

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

	Effect of Passed Adjustment - Over(Under)Statement				
	Assets	Liabilities	Beginning Equity	Revenues	Expenses/ Expenditures
Emergency services fund					
Overaccrual of deferred inflows for unavailable ambulance revenue	\$ -	\$ 26,772	\$ -	\$ (26,772)	\$ -
Misstatement as a percentage of total revenue - Emergency services fund	0.0%	1.3%	0.0%	-1.3%	0.0%