

*Charter Township of Oshtemo
Kalamazoo County, Michigan*

FINANCIAL STATEMENTS

Year ended December 31, 2019

	<i>Page</i>
INDEPENDENT AUDITOR'S REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 10
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net position	11
Statement of activities	12
Fund financial statements:	
Balance sheet - governmental funds	13
Statement of revenues, expenditures, and changes in fund balances - governmental funds	14 - 15
Statement of fiduciary net position - custodial funds	16
Statement of changes in fiduciary net position - custodial funds	17
Notes to financial statements	18 - 33
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	34 - 35
Fire Fund	36
Police Fund	37
Schedule of funding progress for the postemployment healthcare plan	38 - 39
SUPPLEMENTARY INFORMATION	
Combining balance sheet - nonmajor governmental funds	40
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	41
Balance sheet - component units	42
Statement of revenues, expenditures, and changes in fund balances - component units	43
Budgetary comparison schedule - Downtown Development Authority - component unit	44
Budgetary comparison schedule - South Drake Road Corridor Improvement Authority - component unit	45

SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Charter Township of Oshtemo, Kalamazoo County, Michigan

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Oshtemo (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.

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

Opinion

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

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 18 to the financial statements, the Township implemented GASB statement No. 84, *Fiduciary Activities*. As a result, a statement of fiduciary net position and a statement of changes in fiduciary net position have been presented. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress for the postemployment healthcare plan as noted on 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 component unit fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The component unit fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the component unit fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Seber Tans, PLC

Seber Tans, PLC
Kalamazoo, Michigan
June 9, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of Oshtemo's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended December 31, 2019. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$2,160,043 (approximately 7 percent) as a result of this year's activities.
- Of the \$32,035,658 total net position reported, \$7,288,540 (23 percent) is available to be used to meet future operating and capital improvement needs, without constraints established by debt covenants, enabling legislation, or other legal requirements. (Please refer to the Township's CIP plan for the intended uses of unrestricted net position).
- The General Fund's unassigned fund balance at the end of the fiscal year was \$2,031,787, which represents 63 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and statements for component units. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how general government services, like public safety and public works, were financed in the short-term, as well as what remains for future spending.
 - Fiduciary funds statements provide information about the financial relationships in which the Township acts solely as an agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2019 and 2018 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Township's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net position and how it has changed. Net position (the difference between the Township's assets and deferred outflows of resources, and liabilities and deferred inflows of resources) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as police, fire, and general government activities. Property taxes, assessments, and state grants finance most of these activities.
- *Component units* - The Township includes two other entities in its report - the Downtown Development Authority and the South Drake Road Corridor Improvement Authority. Although legally separate, these "component units" are important because the Township is financially accountable for both Authorities.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain other revenues.

The Township has two types of funds:

- *Governmental funds*. Most of the Township's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Fiduciary funds*. These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the Township. The Township is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The Township's fiduciary balances and activities are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$32,035,658. Of this total, \$23,198,958 is invested in capital assets, \$1,538,679 is restricted for public safety, \$9,481 is restricted for public works and \$7,288,540 is unrestricted.

Condensed financial information

Net position

	<i>Governmental activities</i>	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 15,213,943	\$ 13,907,952
Capital assets	23,198,958	22,062,585
 Total assets	 38,412,901	 35,970,537
 Deferred outflows of resources	 1,893	 31,118
 Current and other liabilities	 1,237,103	 1,127,129
 Deferred inflows of resources	 5,142,033	 4,998,911
 Net position:		
Net investment in capital assets	23,198,958	22,062,585
Restricted	1,548,160	1,221,825
Unrestricted	7,288,540	6,591,205
 Total net position	 \$ 32,035,658	 \$ 29,875,615

Changes in net position

The Township's total revenues were \$9,997,084. For 2019, charges for services were 59 percent of the Township's revenues, 20 percent comes from state grants, and 8 percent comes from property taxes.

The total cost of the Township's programs and services was \$7,837,041. Approximately 48 percent of the Township's costs are related to public safety activities, general government is 23 percent, and public works is 21 percent of expenses.

Condensed financial information

Changes in net position

	<i>Governmental activities</i>	
	<u>2019</u>	<u>2018</u>
Program revenues:		
Charges for services	\$ 5,934,908	\$ 4,695,270
Operating grants	268,075	267,238
Capital grants	724,273	429,252
General revenues:		
Property taxes	788,107	754,279
State grants	1,994,353	1,917,524
Franchise fees	180,663	170,631
Investment income	106,705	63,098
Gain on sale of asset	<u>-</u>	<u>204,264</u>
 Total revenues	 <u>9,997,084</u>	 <u>8,501,556</u>
 Expenses:		
General government	1,818,077	1,886,418
Public safety	3,760,361	3,443,809
Public works	1,664,997	1,560,553
Community and economic development	227,722	238,587
Culture and recreation	<u>365,884</u>	<u>334,379</u>
 Total expenses	 <u>7,837,041</u>	 <u>7,463,746</u>
 Changes in net position	 <u>\$ 2,160,043</u>	 <u>\$ 1,037,810</u>
 Net position, end of year	 <u>\$ 32,035,658</u>	 <u>\$ 29,875,615</u>

Governmental activities

The net position increased \$2,160,043 for 2019 compared to a \$1,037,810 increase in the prior year. The increase can be attributed primarily to an increase in charges for services revenue of \$1,239,638 as assessment charges increased during the year.

The total cost of governmental activities this year was \$7,837,041. After subtracting the direct charges to those who directly benefited from the programs (\$5,934,908) and operating and capital grants (\$992,348), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$909,785.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of the end of the current year, the Township's governmental funds reported combined ending fund balances of \$8,085,874, an increase of \$1,042,352 from last year.

The General Fund is the primary operating fund of the Township. Its fund balance decreased by \$121,223 during the year, as revenues of \$3,551,637 were lower than current expenditures of \$3,235,460 and transfers to other funds of \$437,400. The fund balance was \$3,953,756 at the end of the year.

The Fire Fund experienced an increase in fund balance of \$477,228 for 2019, as revenues of \$2,926,097 and insurance proceeds of \$20,418 were more than current expenditures of \$2,469,287 including \$238,643 in capital outlay. The ending fund balance was \$1,213,510.

The Police Fund experienced a \$318,042 increase in fund balance, which reflects police service expenditures of \$1,105,789 that were less than revenues of \$1,421,431 and a transfer of \$2,400 from the General Fund. The fund balance at the end of the year was \$596,292.

The General Sewer Fund experienced a \$760,236 increase in fund balance for 2019, as revenues of \$1,618,088 and a transfer from the General fund of \$250,000 were more than current year's expenditures of \$1,107,852. The fund balance at the end of the year was \$989,294.

The General Water Fund experienced a \$95,957 increase in fund balance for 2019, as revenues of \$302,079, were more than current year's expenditures of \$206,122. The fund balance at the end of the year was \$1,321,039.

General Fund budgetary highlights

The Township amended the General Fund revenues and expenditures budgets for anticipated decreases in revenues and decreases in expenditures. Total revenues were \$750,519 less than anticipated, primarily due to intergovernmental revenues that were lower than anticipated by \$869,030. Total expenditures were \$803,019 less than the amounts appropriated, primarily due to capital outlay costs that were \$630,266 less than projected due to projects not occurring in the current year that were planned. Net other financing sources were \$1,554,126 lower than anticipated as the Township did not issue debt in the current year.

These variances resulted in a negative budget variance of \$1,501,626, with a \$121,223 decrease in fund balance compared to a budget that anticipated an increase of \$1,380,403 in the current year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Township's investment in capital assets as of December 31, 2019, was \$23,198,958 (net of accumulated depreciation). This investment includes buildings and improvements, equipment and vehicles, sewer, and water infrastructure. The \$1,136,373 increase in the Township's investment in capital assets for the current fiscal year includes \$2,126,589 in capital asset additions, less \$989,500 in depreciation expense and \$716 in disposals for the year.

Major capital asset additions during the current fiscal year include:

- \$879,921 for water and sewer infrastructure costs
- \$891,017 for a non-motorized path
- \$159,656 final payment made on a new fire truck
- \$123,348 for streetlight improvements

More detailed information about the Township's capital assets is presented in Note 6 of the notes to the basic financial statements.

Debt

The Township's long-term obligation consists of \$54,250 in accrued compensated absences.

More detailed information about the Township's long-term obligations is presented in Note 8 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Township expects to be able to use current revenues to provide essential services that will allow current fund balances to be maintained. The Township plans to maintain all ongoing programs for 2020. The ongoing costs of providing essential services for the citizens of the Township will need to be closely monitored in order to maintain the financial condition and operational capabilities of the Township.

COVID-19 has created uncertainties that are likely to negatively impact our operations and financial condition. While it is difficult to estimate the financial impact of COVID-19, we expect certain revenues to decline. Because economic activity has weakened, state shared revenue and code inspection fees are expected to decrease, and interest revenue will be reduced due to lower interest rates.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Libby Heiny-Cogswell, Supervisor
Charter Township of Oshtemo
7275 West Main Street
Oshtemo, MI 49009

Phone: (269) 375-4260

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

December 31, 2019

	<u>Primary government</u>	<u>Component units</u>	
	<u>Governmental activities</u>	<u>Downtown Development Authority</u>	<u>South Drake Road Corridor Improvement Authority</u>
ASSETS			
Current assets:			
Cash	\$ 7,120,750	\$ 881,789	\$ 71,287
Investments	3,502,767	-	-
Receivables, net	3,838,143	60,945	20,168
Total current assets	<u>14,461,660</u>	<u>942,734</u>	<u>91,455</u>
Noncurrent assets:			
Receivables, net	558,751	-	-
Net OPEB assets	193,532	-	-
Capital assets not being depreciated	1,147,317	-	-
Capital assets, net of accumulated depreciation	22,051,641	543,834	-
Total noncurrent assets	<u>23,951,241</u>	<u>543,834</u>	<u>-</u>
Total assets	<u>38,412,901</u>	<u>1,486,568</u>	<u>91,455</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB	1,893	-	-
LIABILITIES			
Current liabilities:			
Payables	1,022,919	17,441	336
Unearned operating assessment revenues	159,934	-	-
Total current liabilities	1,182,853	17,441	336
Noncurrent liabilities - compensated absences	54,250	-	-
Total liabilities	<u>1,237,103</u>	<u>17,441</u>	<u>336</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax revenues levied for the subsequent year	762,671	127,893	20,971
Special assessment levied for the subsequent year	4,379,362	-	-
Total deferred inflows of resources	<u>5,142,033</u>	<u>127,893</u>	<u>20,971</u>
NET POSITION			
Investment in capital assets	23,198,958	543,834	-
Restricted for public safety	1,538,679	-	-
Restricted for public works	9,481	-	-
Unrestricted	7,288,540	797,400	70,148
Total net position	<u>\$ 32,035,658</u>	<u>\$ 1,341,234</u>	<u>\$ 70,148</u>

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended December 31, 2019

Functions/Programs	Program revenues				Net (expenses) revenues and changes in net position		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Component units	
						Downtown Development Authority	South Drake Road Corridor Improvement Authority
Governmental activities:							
General government	\$ 1,818,077	\$ 433,431	\$ -	\$ -	\$ (1,384,646)		
Public safety	3,760,361	4,333,362	-	-	573,001		
Public works	1,664,997	1,114,364	268,075	637,088	354,530		
Community and economic development	227,722	17,720	-	-	(210,002)		
Culture and recreation	365,884	36,031	-	87,185	(242,668)		
Total governmental activities	<u>7,837,041</u>	<u>5,934,908</u>	<u>268,075</u>	<u>724,273</u>	<u>(909,785)</u>		
Component units:							
Downtown Development Authority	\$ 23,984	\$ -	\$ -	\$ -	\$ (23,984)	\$ -	
South Drake Road Corridor Improvement Authority	<u>62,258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62,258)</u>	
Total component units	<u>\$ 86,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,984)</u>	<u>\$ (62,258)</u>	
General revenues:							
Taxes					788,107	144,602	90,302
State grants					1,994,353	-	-
Franchise fees					180,663	-	-
Investment income					<u>106,705</u>	<u>14,515</u>	<u>1,032</u>
Total general revenues					<u>3,069,828</u>	<u>159,117</u>	<u>91,334</u>
Changes in net position					2,160,043	135,133	29,076
Net position - beginning					<u>29,875,615</u>	<u>1,206,101</u>	<u>41,072</u>
Net position - ending					<u>\$ 32,035,658</u>	<u>\$ 1,341,234</u>	<u>\$ 70,148</u>

See notes to financial statements

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>General Sewer</u>	<u>General Water</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
ASSETS							
Cash	\$ 784,578	\$ 2,606,025	\$ 1,016,224	\$ 1,027,080	\$ 1,588,609	\$ 98,234	\$ 7,120,750
Investments	3,502,767	-	-	-	-	-	3,502,767
Receivables	846,270	1,779,008	966,173	564,666	142,862	97,915	4,396,894
Total assets	<u>\$ 5,133,615</u>	<u>\$ 4,385,033</u>	<u>\$ 1,982,397</u>	<u>\$ 1,591,746</u>	<u>\$ 1,731,471</u>	<u>\$ 196,149</u>	<u>\$ 15,020,411</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Payables	\$ 417,188	\$ 176,438	\$ 1,828	\$ 98,176	\$ 305,057	\$ 24,232	\$ 1,022,919
Unearned special assessment operating revenues	-	-	-	-	-	159,934	159,934
Total liabilities	<u>417,188</u>	<u>176,438</u>	<u>1,828</u>	<u>98,176</u>	<u>305,057</u>	<u>184,166</u>	<u>1,182,853</u>
Deferred inflows of resources:							
Property tax revenues levied for the subsequent year	762,671	-	-	-	-	-	762,671
Special assessment levied for the subsequent year	-	2,995,085	1,384,277	-	-	-	4,379,362
Unavailable special assessment revenues	-	-	-	504,276	105,375	-	609,651
Total deferred inflows of resources	<u>762,671</u>	<u>2,995,085</u>	<u>1,384,277</u>	<u>504,276</u>	<u>105,375</u>	<u>-</u>	<u>5,751,684</u>
Fund balances:							
Restricted for:							
Public safety	346,969	1,213,510	-	-	-	-	1,560,479
Public works	-	-	-	-	-	9,481	9,481
Assigned for:							
Public safety	-	-	596,292	-	-	-	596,292
Public works	-	-	-	989,294	1,321,039	-	2,310,333
Culture and recreation	-	-	-	-	-	2,502	2,502
Subsequent year expenditures	1,575,000	-	-	-	-	-	1,575,000
Unassigned	2,031,787	-	-	-	-	-	2,031,787
Total fund balances	<u>3,953,756</u>	<u>1,213,510</u>	<u>596,292</u>	<u>989,294</u>	<u>1,321,039</u>	<u>11,983</u>	<u>8,085,874</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,133,615</u>	<u>\$ 4,385,033</u>	<u>\$ 1,982,397</u>	<u>\$ 1,591,746</u>	<u>\$ 1,731,471</u>	<u>\$ 196,149</u>	<u>\$ 15,020,411</u>

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds \$ 8,085,874

Amounts reported for *governmental activities* in the statement of net position (page 11) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 23,198,958

Net OPEB assets 193,532

Deferred outflows of resources, related to the OPEB plan, relate to future years and are not reported in the funds. 1,893

Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds - compensated absences. (54,250)

Special assessments receivable and unavailable grant revenue are not available to pay for the current period's expenditures and, therefore, are deferred in the funds. 609,651

Net position of *governmental activities* \$ 32,035,658

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

Year ended December 31, 2019

	<i>General</i>	<i>Fire</i>	<i>Police</i>	<i>General Sewer</i>	<i>General Water</i>	<i>Nonmajor fund</i>	<i>Total governmental funds</i>
REVENUES							
Taxes	\$ 788,107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 788,107
Licenses and permits	198,575	-	-	-	-	-	198,575
State grants	2,010,422	-	-	-	-	-	2,010,422
Intergovernmental	60,000	-	-	-	-	-	60,000
Charges for services	392,188	2,753	33,360	1,003,432	238,474	-	1,670,207
Fines and forfeitures	-	-	46,119	-	-	-	46,119
Interest and rentals	78,527	34,746	14,166	23,096	31,181	50,043	231,759
Other	23,818	2,888,598	1,327,786	591,560	32,424	180,981	5,045,167
Total revenues	3,551,637	2,926,097	1,421,431	1,618,088	302,079	231,024	10,050,356
EXPENDITURES							
Current:							
General government	1,751,554	-	-	-	-	-	1,751,554
Public safety	40,534	2,230,644	1,105,789	-	-	-	3,376,967
Public works	716,016	-	-	1,107,852	206,122	138,206	2,168,196
Community and economic development	227,422	-	-	-	-	-	227,422
Culture and recreation	-	-	-	-	-	169,394	169,394
Capital outlay	499,934	238,643	-	-	-	596,312	1,334,889
Total expenditures	3,235,460	2,469,287	1,105,789	1,107,852	206,122	903,912	9,028,422
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	316,177	456,810	315,642	510,236	95,957	(672,888)	1,021,934
OTHER FINANCING SOURCES (USES)							
Insurance recoveries	-	20,418	-	-	-	-	20,418
Transfers in	-	-	2,400	250,000	-	185,000	437,400
Transfers out	(437,400)	-	-	-	-	-	(437,400)
Net other financing sources (uses)	(437,400)	20,418	2,400	250,000	-	185,000	20,418
NET CHANGES IN FUND BALANCES	(121,223)	477,228	318,042	760,236	95,957	(487,888)	1,042,352
FUND BALANCES - BEGINNING	4,074,979	736,282	278,250	229,058	1,225,082	499,871	7,043,522
FUND BALANCES - ENDING	\$ 3,953,756	\$ 1,213,510	\$ 596,292	\$ 989,294	\$ 1,321,039	\$ 11,983	\$ 8,085,874

See notes to financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds (Continued)

Year ended December 31, 2019

Reconciliation of the statement of revenues, expenditures and changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 14) \$ 1,042,352

Amounts reported for *governmental activities* in the statement of activities (page 12) are different because:

Capital assets:

Assets acquired	2,126,589
Provision for depreciation	(989,500)
Net book value of disposed assets	(716)

Long-term obligations:

Net change in liability for compensated absences	(14,650)
Net increase in OPEB assets	98,883

Changes in other assets/liabilities:

Net decrease in deferred inflows of resources	(73,690)
Net decrease in deferred outflows of resources	<u>(29,225)</u>

Change in net position of *governmental activities* \$ 2,160,043

STATEMENT OF FIDUCIARY NET POSITION - custodial funds

December 31, 2019

	<i>Retiree Medical Trust</i>	<i>Tax</i>	<i>Custodial</i>
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ -	\$ 7,369,187	\$ 212,940
Investments	<u>344,338</u>	<u>-</u>	<u>-</u>
Total assets	344,338	7,369,187	212,940
LIABILITIES			
Due to others	<u>-</u>	<u>7,369,187</u>	<u>212,940</u>
NET POSITION			
Held in trust for retirees' health benefits	<u>\$ 344,338</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

STATEMENT OF CHANGES IN FIDUCIARY NET POSTION - *custodial funds*

December 31, 2019

	<i>Retiree Medical Trust</i>	<i>Tax</i>	<i>Custodial</i>
ADDITIONS			
Property taxes collected for other governments	\$ -	\$ 35,146,256	\$ 204,746
Collection of county fees	-	-	33,049
Collection of other deposits	-	-	812
Investment income	<u>47,654</u>	<u>-</u>	<u>-</u>
Total additions	47,654	35,146,256	238,607
DEDUCTIONS			
Property taxes distributed to other governments	-	35,146,256	146,341
Payment of county collections	-	-	25,318
Distributions of PILT	<u>-</u>	<u>-</u>	<u>66,948</u>
Total deductions	-	35,146,256	238,607
NET CHANGE IN FIDUCIARY NET POSITION	47,654	-	-
NET POSITION - BEGINNING	<u>296,684</u>	<u>-</u>	<u>-</u>
NET POSTION - ENDING	<u>\$ 344,338</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Oshtemo, Michigan (the Township), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

As required by generally accepted accounting principles, these financial statements present the Township (the primary government, located in Kalamazoo County) and its component units described below, for which the Township is financially accountable. Active discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government.

Discretely presented component units:

Downtown Development Authority - The Authority was established pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the downtown district.

South Drake Road Corridor Improvement Authority - The Authority was established pursuant to Public Act 280 of 2005, as amended, to correct and prevent deterioration and promote economic growth within the corridor business district.

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 Township. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental 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 fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds 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 if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for financial resources used for fire protection. Revenues are primarily derived from special assessments.

The Police Fund accounts for financial resources used for police protection. Revenues are primarily derived from special assessments.

The General Sewer Fund accounts for financial resources used for sewer facilities capital improvements and maintenance. Revenues are primarily derived from connection fees and special assessments.

The General Water Fund accounts for financial resources used for water facilities capital improvements and maintenance. Revenues are primarily derived from connection fees and special assessments.

The Township reports the following nonmajor governmental funds:

The Parks Fund accounts for financial resources used for recreational park facilities improvements and maintenance. Revenues are primarily derived from donations and grants.

The Street Lighting Fund accounts for financial resources used for street lighting and improvements. Revenues are primarily derived from assessments.

The Township also reports fiduciary funds, which account for assets held by the Township as an agent for individuals, private organizations, and other governments. The Township currently reports the following fiduciary fund types:

The Custodial Funds (tax and general custodial) account for the collection and disbursement of taxes and other monies due to other units of government and individuals. Custodial funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Retiree Medical Trust Fund accounts for assets held to provide medical benefits to eligible retiree participants and their dependents.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, liabilities, deferred inflows of resources, and equity:

Bank deposits - 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. Pooled interest income is proportionately allocated to all funds.

Investments - Investments are reported at fair value.

Receivables - In general, outstanding balances between funds are reported as “due to/from other funds.” No allowance for uncollectible accounts has been recorded, as the Township considers all receivables to be fully collectible.

Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of greater than \$2,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	15 - 30 years
Buildings and improvements	15 - 60 years
Equipment	3 - 7 years
Infrastructure	10 - 50 years

Unearned revenue - Unearned revenue represents resources related to operating assessments which have not yet been earned, due to performance of service.

Deferred inflows of resources - The statement of net position and the governmental funds balance sheet include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. Included in this category are property taxes and special assessments revenues. Property tax revenue and special assessment, which are levied to finance the following period's budget, is deferred and recognized as an inflow of resources in the period that it was intended to finance. Special assessment revenues, which are not available (collected later than 60 days after the end of the Township's fiscal year) are deferred in the governmental funds and recognized as an inflow of resources in the period that the revenues become available,

Net position - Net position represents the difference between assets, and liabilities and deferred inflows of resources. The Township reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Township's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Assets, liabilities, deferred inflows of resources, and equity (continued):

Net position flow assumption - Sometimes, the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Postemployment benefits other than pensions - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Oshtemo Charter Township OPEB plan for Non-union employees and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund equity - In the fund financial statements, 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 and regulations of other governments. The Township Board retains the authority to assign fund balances. Unassigned fund balances are 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 the restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied each December 1 (lien date) on the taxable valuation of property as of the preceding December 31. Property taxes are considered delinquent on March 1 of the following year, at which time interest and penalties are assessed. Although the Township's 2019 ad valorem tax was levied and collectible on December 1, 2019, it is the Township's policy to recognize revenue from that tax levy in the current year, when the proceeds are budgeted and made available for the financing of operations.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for general and special revenue funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. At the end of the fiscal year there were no reportable budget variances.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments, as presented in the accompanying financial statements, consisted of the following:

	<u>Primary government</u>			
	<u>Governmental activities</u>	<u>Component units</u>	<u>Fiduciary activities</u>	<u>Totals</u>
Cash	\$ 7,120,750	\$ 953,076	\$ 7,582,127	\$ 15,655,953
Investments	<u>3,502,767</u>	<u>-</u>	<u>344,338</u>	<u>3,847,105</u>
	<u>\$ 10,623,517</u>	<u>\$ 953,076</u>	<u>\$ 7,926,465</u>	<u>\$ 19,503,058</u>

Deposits - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the Township’s investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township’s deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township’s investment policy does not specifically address custodial credit risk for deposits. At December 31, 2019, \$16,220,559 of the Township’s bank balances of \$18,970,673 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments, primary government and component unit - State statutes and the Township’s investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds composed of otherwise legal investments; and f) investment pools organized under the local government investment pool act.

The Township’s investments consist of holdings in the Cooperative Liquid Assets Securities System - Michigan (CLASS). CLASS is a local government investment pool established under Michigan state statutes for participating Michigan municipalities. This pool, which is a nonrisk categorized qualifying investment, is carried at fair market value. The fair value of the Township’s position in the pool is the same as the value of its pool shares. The fund operates like a money market fund with each share valued at \$1, and is rated AAAM by Standard and Poor’s (credit risk); it is not subject to regulatory oversight; the pool issues a separate report, which is available at 15309 Meadowwood Drive, Grand Haven, Michigan, 49417. The balance at year end was \$3,502,767.

Fair value measurement - The Township categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The U.S. government agency securities were valued using observable fair values of similar assets (Level 2). The MBIA CLASS Fund was measured at net asset value (or its equivalent) as a practical expedient, and, accordingly, has not been classified in the fair value hierarchy.

Investments, retiree health plan - The investments of the Township’s other postemployment benefit (OPEB) trust fund are maintained separately from the Township’s pooled cash and investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for the OPEB trust fund investments are presented separately.

NOTE 3 - CASH AND INVESTMENTS (Continued)

The Michigan Public Employees Retirement Systems’ Investment Act, Public Act 314 of 1965, as amended, authorizes the other postemployment benefit trust to invest in stocks, governmental and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitation. The Township Board has the responsibility and authority to oversee the investment portfolio. The Township has contracted the Municipal Employees’ Retirement System of Michigan (MERS) to assist in managing the OPEB trust fund’s assets. The investments are held by MERS, within its Retiree Health Funding Vehicle (RHFV), an employer savings trust that allows employers to advance fund their retiree healthcare liability. As a governmental plan, MERS is exempted by state and federal law from registration with the SEC. The funds held consist of portfolios of assets, in separate accounts, in a collective trust. Specific fund holdings at December 31, 2019, consisted of the following:

<u>Investment type</u>	<u>Fair value</u>
MERS Total Market Portfolio	\$ 169,764
MERS Est Market Portfolio	<u>174,574</u>
	<u>\$ 344,338</u>

The Townships investments are subject to several types of risk, which are discussed below:

Custodial credit risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Township’s OPEB investment policy require that investment securities be held in trust by a third-party institution, in the name of the benefit trust. The RHFV fund holdings are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical form.

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in mutual funds and qualified investment pools, including those within the RHFV, are not considered to have credit risk.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the Township’s investment in a single holding. The Township’s OPEB investment policy places no limitations on the amount that can be invested in any one issuer.

Interest rate risk. Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment’s fair value due to changes in market interest rates. The Township’s OPEB investment policy has no specific limitations with respect to maturities of investments. The RHFV holdings have no maturities.

Fair value measurement - 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. The Township has the following recurring fair value measurements as of December 31, 2019:

- Municipal Employees’ Retirement System of Michigan - RHFV, with a balance of \$344,338 at December 31, 2019, which is valued using observable fair values of similar assets (Level 2).

NOTE 4 - RECEIVABLES

Receivables as of December 31, 2019, for the Township’s individual major funds and nonmajor funds, in the aggregate, were as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Accounts</u>	<u>Special assessments</u>	<u>Inter-governmental</u>	<u>Totals</u>
<i>Primary government:</i>					
<i>Governmental:</i>					
General	\$ 457,891	\$ 41,585	\$ -	\$ 346,794	\$ 846,270
Fire	-	-	1,779,008	-	1,779,008
Police	-	-	966,173	-	966,173
General Sewer	-	-	541,866	22,800	564,666
General Water	-	-	116,940	25,922	142,862
Nonmajor	-	-	97,915	-	97,915
Total governmental	<u>\$ 457,891</u>	<u>\$ 41,585</u>	<u>\$ 3,501,902</u>	<u>\$ 395,516</u>	<u>\$ 4,396,894</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 558,751</u>	<u>\$ -</u>	<u>\$ 558,751</u>
<i>Component units:</i>					
Downtown Development Authority	\$ 60,945	\$ -	\$ -	\$ -	\$ 60,945
South Drake Road Corridor Improvement Authority	20,168	-	-	-	20,168
Total component units	<u>\$ 81,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,113</u>

All receivables are considered fully collectible.

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATION

The amount shown as beneficial interest in assets held by foundation represents monies placed with the Kalamazoo Community Foundation (the Foundation) by the Township, specifying itself as the beneficiary. The Foundation maintains variance power and legal ownership of such funds and, as such, continues to report the funds as assets of the Foundation, with a corresponding liability, the agency endowment fund. The Township reports this asset at the present value of future payments expected to be received.

The Foundation also holds monies, placed by donors for the benefit of the Township’s parks and recreation activities, to generate investment return that, based on the Foundation’s spending guidelines, can be made available to the Township. Such monies are not considered assets of the Township. At December 31, 2019, the Foundation held \$504,447 in this account.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 576,742	\$ -	\$ -	\$ 576,742
Construction in progress	<u>2,179,074</u>	<u>517,222</u>	<u>(2,125,721)</u>	<u>570,575</u>
Subtotal	<u>2,755,816</u>	<u>517,222</u>	<u>(2,125,721)</u>	<u>1,147,317</u>
Capital assets being depreciated:				
Buildings and improvements	9,114,434	-	(6,071)	9,108,363
Equipment	1,779,414	43,355	(237,927)	1,584,842
Vehicles	3,421,877	648,244	-	4,070,121
Infrastructure	<u>13,490,648</u>	<u>3,043,489</u>	<u>(3,661)</u>	<u>16,530,476</u>
Subtotal	<u>27,806,373</u>	<u>3,735,088</u>	<u>(247,659)</u>	<u>31,293,802</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,245,196)	(139,361)	5,355	(3,379,202)
Equipment	(1,390,637)	(94,122)	237,927	(1,246,832)
Vehicles	(1,267,105)	(198,802)	-	(1,465,907)
Infrastructure	<u>(2,596,666)</u>	<u>(557,215)</u>	<u>3,661</u>	<u>(3,150,220)</u>
Subtotal	<u>(8,499,604)</u>	<u>(989,500)</u>	<u>246,943</u>	<u>(9,242,161)</u>
Total capital assets being depreciated, net	<u>19,306,769</u>	<u>2,745,588</u>	<u>(716)</u>	<u>22,051,641</u>
Governmental activities capital assets, net	<u>\$ 22,062,585</u>	<u>\$ 3,262,810</u>	<u>\$ (2,126,437)</u>	<u>\$ 23,198,958</u>
Component unit - DDA:				
Capital assets not being depreciated:				
Land	\$ 293,595	\$ -	\$ -	\$ 293,595
Construction in progress	<u>45,055</u>	<u>33,958</u>	<u>-</u>	<u>79,013</u>
Subtotal	<u>338,650</u>	<u>33,958</u>	<u>-</u>	<u>372,608</u>
Capital assets being depreciated:				
Buildings and improvements	101,967	91,351	-	193,318
Less accumulated depreciation for:				
Buildings and improvements	<u>(16,994)</u>	<u>(5,098)</u>	<u>-</u>	<u>(22,092)</u>
Total capital assets being depreciated, net	<u>84,973</u>	<u>86,253</u>	<u>-</u>	<u>171,226</u>
Component unit capital assets, net	<u>\$ 423,623</u>	<u>\$ 120,211</u>	<u>\$ -</u>	<u>\$ 543,834</u>

NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities functions, as follows:

General government	\$ 82,030
Public safety	332,137
Public works	414,934
Culture and recreation	<u>160,399</u>
Total	<u>\$ 989,500</u>

NOTE 7 - PAYABLES

Payables as of December 31, 2019, for the Township’s individual major funds and nonmajor funds, in the aggregate, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Accrued liabilities</u>	<u>Deposits</u>	<u>Totals</u>
Primary government:				
Governmental:				
General	\$ 163,333	\$ 45,723	\$ 208,132	\$ 417,188
Fire	153,477	22,961	-	176,438
Police	1,553	275	-	1,828
General Sewer	97,725	451	-	98,176
General Water	305,000	57	-	305,057
Nonmajor	<u>23,673</u>	<u>559</u>	<u>-</u>	<u>24,232</u>
Total governmental	<u>\$ 744,761</u>	<u>\$ 70,026</u>	<u>\$ 208,132</u>	<u>\$ 1,022,919</u>
Component unit:				
Downtown Development Authority	<u>\$ 17,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,777</u>

NOTE 8 - LONG-TERM OBLIGATIONS

Long-term obligation activity (excluding postemployment benefits other than pensions) for the year ended December 31, 2019, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Primary government:				
Governmental activities:				
Compensated absences	<u>39,600</u>	<u>160,627</u>	<u>(145,977)</u>	<u>54,250</u>

NOTE 9 - PROPERTY TAXES

The 2018 taxable valuation of the Township approximated \$798,905,000, on which ad valorem taxes levied, consisted of 0.9703 mills for operating purposes, raising approximately \$781,000. This amount is recognized in the General Fund financial statements as property tax revenue.

The 2019 taxable valuation of the Township approximated \$865,514,000, on which ad valorem taxes levied, consisted of 0.9703 mills for operating purposes, raising approximately \$839,000. This amount is recognized in the General Fund financial statements as deferred inflows, based upon the period for which the proceeds are budgeted and will be made available for the financing of operations.

NOTE 10 - DEFINED CONTRIBUTION AND MONEY PURCHASE PLAN

The Township and its employees contribute to the Township of Oshtemo Group Pension Plan, a defined contribution pension plan, which is administered by a third party administrator. The plan covers three classes of employees, as allowed under Internal Revenue Code Section 401(a). The first class of employees includes paid on-call firefighters, the second class of employees includes all full-time or part-time employees, and the third class of employees includes elected officials.

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Township Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate as described above. The Township contributes 10% of covered payroll to the first class of qualifying employees. The Township contributes 4% of covered payroll to the second and third classes of qualifying employees. Employees are permitted to make contributions to the Plan, up to applicable Internal Revenue Code limits, and the Township also matches voluntary contributions made by officials, full-time employees, and permanent part-time employees, up to a limit of 4%. For the year ended December 31, 2019, the Township made the required and matching contribution of \$193,389 and eligible employees made contributions of \$71,068. At December 31, 2019, the Township reported no accrued liability as part of the contributions to the plan.

The Township's contributions for each paid on-call firefighter (and investment earnings allocated to the employee's account) are fully vested immediately, while contributions for participating full-time or part-time employees and officials are fully vested after two years of continuous service.

The Township is not a trustee of the defined contribution pension plan, nor is the Township responsible for investment management of the pension plan assets. Accordingly, plan assets, and changes therein, are not reported in these financial statements.

NOTE 11 - DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN

Plan description:

Oshtemo Charter Township OPEB Plan is a single employer plan established and administered by Oshtemo Charter Township and can be amended at its discretion.

Benefits provided:

Benefit eligibility - Participation limited to four current retirees

Benefit - Reimbursement of premiums for retiree and spouse, for the life of the retiree, up to an annual reimbursement cap, determined annually. \$4,500 for 2019 and 2018.

Retiree contributions - Balance of premium in excess of the employer contribution

NOTE 11 - DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Balance of premium in excess of the employer contribution:

As of December 31, 2019, Plan membership consisted of the following:

Inactive participants receiving benefits	3
Active participants	<u>-</u>
Total participants	<u><u>3</u></u>

Contributions:

The Oshtemo Charter Township OPEB Plan was established and is being funded under the authority of the Township. The plan's funding policy is that the employer will not make future contributions. Currently, benefit payments are made from general operating funds. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

Actuarial Assumptions:

The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date. The following actuarial assumptions were used in the measurement:

Inflation	2.10%
Investment rate of return	6.83% (including inflation)
20-year Aa Municipal bond rate	3.26%
Mortality	2010 Public General Employees and Healthy Retirees, headcount weighted with MP-2019 improvement

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Est Market Portfolio	50.00%	4.20%
Total Market Portfolio	50.00%	5.25%

The sum of each target allocation times its long-term expected real rate is 4.33%.

Together with 2.5% inflation, the long-term expected rate of return is 6.83%.

Discount rate:

The discount rate used to measure the total OPEB liability was 6.83%. The projection of cash flows used to determine the discount rate assumed that no further contributions will be made. Based on those assumptions, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. The discount rate used for December 31, 2018, was 7.23%.

NOTE 11 - DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Changes in the net OPEB liability:

	<i>Increase (decrease)</i>		
	<i>Total OPEB liability</i>	<i>Plan fiduciary net position</i>	<i>Net OPEB liability (asset)</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at December 31, 2018	\$ 202,034	\$ 296,684	\$ (94,650)
Changes for the year:			
Interest	14,312	-	14,312
Experience (Gains)/Losses	(63,968)	-	(63,968)
Change in assumptions	6,589	-	6,589
Contributions - employer	-	8,160	(8,160)
Net investment income	-	48,236	(48,236)
Benefit payments			
Benefit payments; including refunds of Employee Contributions	(8,160)	(8,160)	-
Administrative expenses	-	(581)	581
Other changes	-	-	-
Net changes	(51,227)	47,655	(98,882)
Balances at December 31, 2019	<u>\$ 150,807</u>	<u>\$ 344,339</u>	<u>\$ (193,532)</u>
Plan fiduciary net position as a percentage of total OPEB liability			278%

Sensitivity of the net OPEB liability to changes in the discount rate:

The following schedule presents the net OPEB liability of the Township, calculated using the discount rates 1% higher and lower than the current rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Net OPEB liability (asset)	\$ (182,800)	\$ (193,532)	\$ (203,044)

Sensitivity of the net OPEB liability to changes in the trend rate:

The following schedule presents the net OPEB liability of the Township, calculated using healthcare cost trend rates 1% higher and lower than the current rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Net OPEB liability (asset)	\$ (203,288)	\$ (193,532)	\$ (182,711)

NOTE 11 - DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

OPEB expense, deferred outflows of resources, and deferred inflows of resources related to OPEB Plan:

Components of Township’s OPEB Expense for the Fiscal Year Ending December 31, 2019

Below are the components of the Total OPEB Expense:

	<i>Fiscal Year</i> <i>Ending 12/31/2019</i>
Interest on Total OPEB Liability	\$ 14,312
Experience (Gains)/Losses	(63,968)
Change in assumptions	6,589
Projected earnings on OPEB plan investments	(21,429)
Investments earnings (gains)/losses	2,418
Administrative expenses	<u>581</u>
	<u>\$ (61,497)</u>

OPEB Plan Fiduciary Net Position:

The OPEB Plan Fiduciary Net Position as of December 31, 2019 is \$296,683.

Deferred Inflows and Outflows of Resources Related to OPEB Plan:

	<i>Deferred Outflows</i> <i>of Resources</i>	<i>Deferred Inflows</i> <i>of Resources</i>
Experience (gains)/losses	\$ -	\$ -
Change in assumptions	-	-
Investment earnings (gains)/losses	<u>1,893</u>	<u>-</u>
Total	<u>\$ 1,893</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year Ended</i> <i>December 31,</i>	<i>Amount</i> <i>Recognized</i>
2020	\$ 2,418
2021	2,418
2022	2,418
2023	(5,361)
2024	-
Thereafter	<u>-</u>
	<u>\$ 1,893</u>

Reconciliation of Net OPEB Liability (Asset):

	<u>Net OPEB Liability (Asset)</u>
Net OPEB Liability December 31, 2018	\$ (94,650)
Total OPEB expense	(61,497)
Contributions	(8,160)
Change in deferred outflows of Resources	(29,225)
Change in deferred inflows of Resources	<u>-</u>
Net OPEB Liability (Asset) December 31, 2019	<u>\$ (193,532)</u>

Net OPEB liability by participant status:

	<u>Total OPEB Liability</u>
Active participants	\$ -
Inactive participants receiving benefits	<u>150,807</u>
Total	<u>\$ 150,807</u>

NOTE 12 - DEFINED CONTRIBUTION POSTEMPLOYMENT HEALTHCARE SAVINGS PLAN

The Township established a non-contributory defined contribution plan (Retiree Health Care Defined Contribution Plan) in 2013 through which it provides retiree health insurance benefits to its employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Eligible current employees began participating on the date the plan started and were given credit for each year employed by the Township since 2000 (up to 12 years), the date retiree healthcare benefits were initially provided by the Township. The plan covers all full-time employees. The plan is administered by MERS.

The Township contributed \$122,400 to the plan to fund the current year's contribution for employees in 2019. All of the Township's contributions for participating full-time employees and officials (and interest allocated to the participants' accounts) are fully vested immediately.

NOTE 13 - INTERFUND BALANCES AND TRANSFERS

A summary of interfund transfers for the year ended December 31, 2019, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Police	\$ 2,400	General	<u>\$ 437,400</u>
General Sewer	250,000		
Nonmajor	<u>185,000</u>		
Total	<u>\$ 437,400</u>		

The transfers to the Police fund represent operating transfers to cover costs associated with police protection. The transfers from the General fund to the nonmajor fund represents transfers to cover project costs and improvements.

NOTE 14 - JOINT VENTURE

The Township is a member of the Southwest Michigan Building Authority (the Authority), which is a joint venture of the Charter Townships of Oshtemo, and Cooper. The administrative board of the Authority consists of members appointed by each participating unit and a member at-large. The Authority was established to administer and enforce the Michigan State Construction Code within its constituent municipalities.

The Township does not expect to receive residual equity from the joint venture. The Township is unaware of any indication that the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden on the Township in the near future. Audited financial statements for the Authority are available at the Oshtemo Township Municipal Building.

NOTE 15 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability, property and casualty, and workers' compensation are managed through purchased commercial insurance. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 16 - CONTINGENCIES

The Township has been named in various litigation and claims during the year. Management and the Township's legal advisors do not believe that any known circumstances or ongoing claims will result in significant financial losses for the Township.

The Township has indicated there is potential to continue expansion of water service to additional township residents due to the previously closed KL Landfill. The Landfill has been capped and per prior judgments, outside entities have been named to be responsible for any clean-up related to the Landfill. However, the Township could have continued expenses in the future to install water service to its residents that are not already connected to the Township water lines. As of the date of the audit, expansion discussions are ongoing and likely, but actual costs are not expected to significantly impact the Township.

NOTE 17 - PENDING ACCOUNTING PRONOUNCEMENT

In June 2019, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, effective for periods beginning after June 15, 2021. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year beginning January 1, 2022.

NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2019, the Township adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*. As a result, a statement of fiduciary net position and a statement of changes in fiduciary net position have been presented. The statement of fiduciary net position reports all assets, liabilities, and net position of fiduciary funds, as in the past. However, liabilities are now only recognized when an event occurs that compels the government to disburse fiduciary resources. The statement of changes in fiduciary net position reports the additions and deductions from fiduciary net position, which is a new requirement for custodial funds, which replace agency funds.

NOTE 19 - SUBSEQUENT EVENTS

As a result of COVID-19, which occurred subsequent to the end of the fiscal year, economic uncertainties have arisen which are likely to negatively impact the Township. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the financial impact on the Township. Therefore, the Township expects this matter to negatively impact its operations and financial condition. However, the related financial impact and duration cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Taxes	\$ 815,500	\$ 811,035	\$ 788,107	\$ (22,928)
Licenses and permits	210,200	210,200	198,575	(11,625)
State grants	1,931,232	1,931,232	2,010,422	79,190
Intergovernmental	929,030	929,030	60,000	(869,030)
Charges for services	378,100	378,100	392,188	14,088
Interest and rentals	15,800	15,800	78,527	62,727
Other	26,760	26,759	23,818	(2,941)
Total revenues	<u>4,306,622</u>	<u>4,302,156</u>	<u>3,551,637</u>	<u>(750,519)</u>
EXPENDITURES				
General government:				
Legislative	30,240	30,240	24,415	5,825
Supervisor	149,135	157,535	167,971	(10,436)
Elections	3,800	18,800	2,368	16,432
Assessor	238,048	240,548	246,735	(6,187)
Clerk	129,595	130,995	130,818	177
Treasurer	114,551	115,551	114,410	1,141
Professional services	241,337	265,637	299,041	(33,404)
Cemetery, buildings, and grounds	100,700	100,700	78,731	21,969
General operations	653,292	751,712	687,065	64,647
Total general government	<u>1,660,698</u>	<u>1,811,718</u>	<u>1,751,554</u>	<u>60,164</u>
Public safety - inspections	<u>44,557</u>	<u>44,557</u>	<u>40,534</u>	<u>4,023</u>
Public works:				
Highways and streets	810,000	630,000	536,288	93,712
Other	68,102	111,502	111,206	296
Waste collection	64,000	64,000	68,522	(4,522)
Total public works	<u>942,102</u>	<u>805,502</u>	<u>716,016</u>	<u>89,486</u>
Community and economic development - planning and zoning	<u>228,302</u>	<u>246,502</u>	<u>227,422</u>	<u>19,080</u>

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)				
Capital outlay	\$ 2,819,890	\$ 1,130,200	\$ 499,934	\$ 630,266
Total expenditures	<u>5,695,549</u>	<u>4,038,479</u>	<u>3,235,460</u>	<u>803,019</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,388,927)</u>	<u>263,677</u>	<u>316,177</u>	<u>52,500</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the issuance of debt	1,654,126	1,654,126	-	(1,654,126)
Operating transfers out:				
Police Fund	(2,400)	(2,400)	(2,400)	-
General Sewer Fund	(250,000)	(300,000)	(250,000)	50,000
Parks Fund	<u>(175,000)</u>	<u>(235,000)</u>	<u>(185,000)</u>	<u>50,000</u>
Total net other financing sources (uses)	<u>1,226,726</u>	<u>1,116,726</u>	<u>(437,400)</u>	<u>(1,554,126)</u>
NET CHANGES IN FUND BALANCES	(162,201)	1,380,403	(121,223)	(1,501,626)
FUND BALANCES - BEGINNING	<u>4,074,979</u>	<u>4,074,979</u>	<u>4,074,979</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 3,912,778</u>	<u>\$ 5,455,382</u>	<u>\$ 3,953,756</u>	<u>\$ (1,501,626)</u>

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - Fire Fund

Year ended December 31, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Charges for services	\$ -	\$ -	\$ 2,753	\$ 2,753
Interest	1,500	1,500	34,746	33,246
Other:				
Special assessments	2,939,616	2,934,516	2,883,147	(51,369)
Miscellaneous	125,000	125,000	5,451	(119,549)
Total revenues	<u>3,066,116</u>	<u>3,061,016</u>	<u>2,926,097</u>	<u>(134,919)</u>
EXPENDITURES				
Public safety	2,357,981	2,432,481	2,230,644	201,837
Capital outlay	483,947	483,947	238,643	245,304
Total expenditures	<u>2,841,928</u>	<u>2,916,428</u>	<u>2,469,287</u>	<u>447,141</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	224,188	144,588	456,810	312,222
OTHER FINANCING SOURCES				
Insurance recoveries	-	-	20,418	20,418
NET CHANGES IN FUND BALANCES	224,188	144,588	477,228	332,640
FUND BALANCES - BEGINNING	<u>736,282</u>	<u>736,282</u>	<u>736,282</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 960,470</u>	<u>\$ 880,870</u>	<u>\$ 1,213,510</u>	<u>\$ 332,640</u>

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - Police Fund

Year ended December 31, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Charges for services	\$ 21,500	\$ 21,500	\$ 33,360	\$ 11,860
Fines and forfeitures	49,040	49,040	46,119	(2,921)
Interest and rentals	1,500	1,500	14,166	12,666
Other - special assessments	1,342,380	1,337,180	1,327,786	(9,394)
Total revenues	<u>1,414,420</u>	<u>1,409,220</u>	<u>1,421,431</u>	<u>12,211</u>
EXPENDITURES				
Public safety:				
Police protection	1,157,094	1,157,094	1,061,582	95,512
Ordinance enforcement and parking violations	<u>47,857</u>	<u>47,857</u>	<u>44,207</u>	<u>3,650</u>
Total public safety	1,204,951	1,204,951	1,105,789	99,162
Capital outlay	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total expenditures	<u>1,207,451</u>	<u>1,207,451</u>	<u>1,105,789</u>	<u>101,662</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	206,969	201,769	315,642	113,873
OTHER FINANCING SOURCES				
Operating transfers in - General Fund	<u>2,400</u>	<u>2,400</u>	<u>2,400</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	209,369	204,169	318,042	113,873
FUND BALANCES - BEGINNING	<u>278,250</u>	<u>278,250</u>	<u>278,250</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 487,619</u>	<u>\$ 482,419</u>	<u>\$ 596,292</u>	<u>\$ 113,873</u>

SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET OPEB LIABILITY AND RELATED RATIOS

Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB asset (liability):		
Interest	\$ 14,312	\$ 15,489
Difference between expected and actual experience	(63,968)	(6,724)
Changes in assumptions	6,589	(493)
Benefit payments, including refunds	<u>(8,160)</u>	<u>(12,198)</u>
Net change in total OPEB asset (liability)	(51,227)	(3,926)
Total OPEB asset (liability), beginning of year	<u>202,034</u>	<u>205,960</u>
Total OPEB asset (liability), end of year	<u>\$ 150,807</u>	<u>\$ 202,034</u>
Plan fiduciary net position:		
Contributions:		
Employer	\$ 8,160	\$ 12,198
Net investment income (loss)	48,236	(14,732)
Benefit payments, including refunds	(8,160)	(12,198)
Administrative expenses	<u>(581)</u>	<u>(760)</u>
Net change in plan fiduciary net position	47,655	(15,492)
Plan fiduciary net position, beginning of year	<u>296,684</u>	<u>312,176</u>
Plan fiduciary net position, end of year	<u>\$ 344,339</u>	<u>\$ 296,684</u>
Township's net OPEB liability (asset), end of year	<u>\$ (193,532)</u>	<u>\$ (94,650)</u>
Plan fiduciary net position as a percent of total OPEB liability	228.33%	146.85%
Covered payroll	\$ -	\$ -
Township's net OPEB liability as a percentage of covered payroll	NA	NA

Note: This schedule is being built prospectively after the implementation of GASB 75 in 2018. Ultimately, ten years of data will be presented.

Charter Township of Oshtemo

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31, 2019

Actuarially Recommended Contribution (ARC)	Fiscal Year Ending December 31,	
	<u>2020</u>	<u>2019</u>
Normal costs	\$ -	\$ -
Amortization of unfunded liability	(22,602)	(11,250)
Interest cost	<u>(1,544)</u>	<u>(813)</u>
Actuarial determined employer contribution	(24,146)	(12,063)
Employer contributions (benefit payment)	<u>TBD</u>	<u>(8,160)</u>
Contribution deficiency/(excess)	<u>TBD</u>	<u>\$ 3,903</u>
Covered payroll	\$ -	\$ -
Contribution as a percentage of covered payroll	NA	NA

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - nonmajor governmental funds

December 31, 2019

	<u>Special Revenue</u>		
	<u>Parks</u>	<u>Street Lighting</u>	<u>Totals</u>
ASSETS			
Cash	\$ 16,437	\$ 81,797	\$ 98,234
Receivables	<u>-</u>	<u>97,915</u>	<u>97,915</u>
Total assets	<u>\$ 16,437</u>	<u>\$ 179,712</u>	<u>\$ 196,149</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Payables	<u>\$ 13,935</u>	<u>\$ 10,297</u>	<u>\$ 24,232</u>
Deferred inflows of resources - unavailable special assessment revenue	<u>\$ -</u>	<u>\$ 159,934</u>	<u>\$ 159,934</u>
Fund balances:			
Restricted for public works	-	9,481	9,481
Assigned for recreation and culture	<u>2,502</u>	<u>-</u>	<u>2,502</u>
Total fund balances	<u>2,502</u>	<u>9,481</u>	<u>11,983</u>
Total deferred inflows of resources and fund balances	<u>\$ 16,437</u>	<u>\$ 179,712</u>	<u>\$ 196,149</u>

Charter Township of Oshtemo

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2019

	<i>Special revenue</i>		
	<i>Parks</i>	<i>Street Lighting</i>	<i>Totals</i>
REVENUES			
Interest and rentals	\$ 49,605	\$ 438	\$ 50,043
Other	27,185	153,796	180,981
Total revenues	76,790	154,234	231,024
EXPENDITURES			
Current:			
Public works	-	138,206	138,206
Recreation and culture	169,394	-	169,394
Capital outlay	472,964	123,348	596,312
Total expenditures	642,358	261,554	903,912
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(565,568)	(107,320)	(672,888)
OTHER FINANCING SOURCES			
Transfers in	185,000	-	185,000
NET CHANGES IN FUND BALANCES	(380,568)	(107,320)	(487,888)
FUND BALANCES - BEGINNING	383,070	116,801	499,871
FUND BALANCES - ENDING	\$ 2,502	\$ 9,481	\$ 11,983

BALANCE SHEET - component units

December 31, 2019

	<i>Downtown Development Authority</i>	<i>South Drake Road Corridor Improvement Authority</i>
ASSETS		
Cash	\$ 881,789	\$ 71,287
Receivables	<u>60,945</u>	<u>20,168</u>
Total assets	<u><u>\$ 942,734</u></u>	<u><u>\$ 91,455</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities - payables	\$ 17,441	\$ 336
Deferred inflows of resources - property tax revenues levied for the subsequent year	127,893	20,971
Fund balance - unassigned	<u>797,400</u>	<u>70,148</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 942,734</u></u>	<u><u>\$ 91,455</u></u>
Reconciliation of the balance sheet to the statement of net position:		
Total fund balances - <i>component units</i>	\$ 797,400	\$ 70,148
Amounts reported for the <i>component units</i> in the statement of net position (page 11) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>543,834</u>	<u>-</u>
Net position of <i>component units</i>	<u><u>\$ 1,341,234</u></u>	<u><u>\$ 70,148</u></u>

Charter Township of Oshtemo

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - *component units*

Year ended December 31, 2019

	<i>Downtown Development Authority</i>	<i>South Drake Road Corridor Improvement Authority</i>
REVENUES		
Property taxes	\$ 144,602	\$ 90,302
Interest	<u>14,515</u>	<u>1,032</u>
Total revenues	<u>159,117</u>	<u>91,334</u>
EXPENDITURES		
Current - public works	18,886	2,258
Capital outlay	<u>125,309</u>	<u>60,000</u>
Total expenditures	<u>144,195</u>	<u>62,258</u>
NET CHANGES IN FUND BALANCES	14,922	29,076
FUND BALANCES - BEGINNING	<u>782,478</u>	<u>41,072</u>
FUND BALANCES - ENDING	<u><u>\$ 797,400</u></u>	<u><u>\$ 70,148</u></u>
Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:		
Net changes in fund balances - <i>component units</i>	\$ 14,922	\$ 29,076
Amounts reported for the <i>component units</i> in the statement of activities (page 12) are different because:		
Capital assets:		
Asset acquisitions	125,309	
Depreciation provision	<u>(5,098)</u>	<u>-</u>
Changes in net position of <i>component units</i>	<u><u>\$ 135,133</u></u>	<u><u>\$ 29,076</u></u>

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority - component unit

Year ended December 31, 2019

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
REVENUES				
Property taxes	\$ 146,000	\$ 146,000	\$ 144,602	\$ (1,398)
Interest	3,000	3,000	14,515	11,515
Total revenues	<u>149,000</u>	<u>149,000</u>	<u>159,117</u>	<u>10,117</u>
EXPENDITURES				
Public works	46,250	57,475	18,886	38,589
Capital outlay	<u>560,000</u>	<u>560,000</u>	<u>125,309</u>	<u>434,691</u>
Total expenditures	<u>606,250</u>	<u>617,475</u>	<u>144,195</u>	<u>473,280</u>
NET CHANGES IN FUND BALANCES	(457,250)	(468,475)	14,922	483,397
FUND BALANCES - BEGINNING	<u>782,478</u>	<u>782,478</u>	<u>782,478</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 325,228</u>	<u>\$ 314,003</u>	<u>\$ 797,400</u>	<u>\$ 483,397</u>

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - South Drake Road Corridor Improvement Authority - component unit

Year ended December 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 32,500	\$ 62,500	\$ 90,302	\$ 27,802
Interest	-	-	1,032	1,032
Total revenues	<u>32,500</u>	<u>62,500</u>	<u>91,334</u>	<u>28,834</u>
EXPENDITURES				
Public works	7,800	9,721	2,258	7,463
Capital outlay	<u>30,000</u>	<u>60,000</u>	<u>60,000</u>	-
NET CHANGES IN FUND BALANCES	(5,300)	(7,221)	29,076	36,297
FUND BALANCES - BEGINNING	<u>41,072</u>	<u>41,072</u>	<u>41,072</u>	-
FUND BALANCES - ENDING	<u>\$ 35,772</u>	<u>\$ 33,851</u>	<u>\$ 70,148</u>	<u>\$ 36,297</u>