



GEORGETOWN CHARTER TOWNSHIP

COUNTY OF OTTAWA, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011



Vredeveld Haefner LLC

CPA's

Georgetown Charter Township

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INDEPENDENT AUDITORS' REPORT

March 26, 2012

Township Board
Georgetown Charter Township
Jenison, Michigan

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 Georgetown Charter Township, as of and for the year ended December 31, 2011, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Georgetown Charter Township. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Georgetown Charter Township as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the budgetary comparison information on pages 33 and 34 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Georgetown Charter Township's basic financial statements. The individual fund financial schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The nonmajor fund financial schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Wendell Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Georgetown Charter Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The Township property tax revenue declined 3% due to a continued trend of falling property values.
- State revenue sharing increased because of 2010 census counts and a related catch up payment going back to April of 2010, as well as higher 2011 rates.
- Construction was underway on a new million gallon water tower.
- Received grant funding for park improvements.
- Property located at 200 Baldwin Street was purchased to improve the appearance of the main community entrance.

Overview of the Financial Statements

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

Government-wide financial statements. The *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 assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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., earned but unused compensated absences, accrued interest, etc.).

Both of the government-wide financial statements distinguish functions of Georgetown Charter 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, public works, community and economic development, and recreation and culture activities. The business-type activities of the Township include the water and sewer systems.

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. Georgetown Charter 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.

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 funds balance sheet and the governmental funds 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 two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund which is considered a major fund.

The Township adopts an annual appropriated budget for its general and permanent funds. Budgetary comparison schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary funds. The Township maintains one type of proprietary fund (enterprise funds). *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund, which is considered to be a major fund of the Township.

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 statement 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.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This consists of this management discussion and analysis and major fund budgetary schedules.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Georgetown Charter Township, assets exceeded liabilities by \$81,844,158 at the close of the most recent fiscal year. A summary of net assets is as follows:

Georgetown Charter Township's Net Assets

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$12,230,337	\$12,206,990	\$ 4,902,647	\$ 5,992,850	\$17,132,984	\$18,199,840
Capital assets	26,519,796	25,036,392	43,385,294	43,068,991	69,905,090	68,105,383
Total assets	38,750,133	37,243,382	48,287,941	49,061,841	87,038,074	86,305,223
Long-term liabilities outstanding	-	-	-	-	-	-
Other liabilities	3,999,660	3,838,638	1,194,256	1,684,129	5,193,916	5,522,767
Total liabilities	3,999,660	3,838,638	1,194,256	1,684,129	5,193,916	5,522,767
Net assets:						
Invested in capital assets, net of related debt	26,519,796	25,036,392	43,385,294	43,068,991	69,905,090	68,105,383
Restricted	1,124,874	1,070,738	-	-	1,124,874	1,070,738
Unrestricted	7,105,803	7,297,614	3,708,391	4,308,721	10,814,194	11,606,335
Total net assets	\$34,750,473	\$33,404,744	\$47,093,685	\$47,377,712	\$81,844,158	\$80,782,456

By far the largest portion of the Township's net assets (85%) reflects net assets invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Unrestricted net assets (14%) reflect net assets available for future operations.

The government's net assets increased by \$1,345,729 during the current fiscal year.

Georgetown Charter Township's Changes in Net Assets

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenue:						
Program revenue:						
Charges for services	\$1,851,912	\$1,771,743	\$7,151,458	\$7,163,894	\$ 9,003,370	\$ 8,935,637
Operating grants and contributions	47,614	46,309	-	-	47,614	46,309
Capital grants and contributions	102,911	142,932	360,169	190,570	463,080	333,502
General revenue:						
Property taxes	3,225,726	3,331,332	-	-	3,225,726	3,331,332
State sources	3,537,539	2,742,188	-	-	3,537,539	2,742,188
Other	320,525	378,877	30,618	72,799	351,143	451,676
Total revenue	\$9,086,227	\$8,413,381	\$7,542,245	\$7,427,263	\$16,628,472	\$15,840,644

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Expenses:						
General government	\$ 834,411	\$ 1,036,791	\$ -	\$ -	\$ 834,411	\$ 1,036,791
Public safety	3,132,932	2,680,933	-	-	3,132,932	2,680,933
Public works	878,603	1,757,572	-	-	878,603	1,757,572
Community and economic development	13,894	11,582	-	-	13,894	11,582
Recreation and culture	2,920,958	2,549,016	-	-	2,920,958	2,549,016
Water and sewer	-	-	7,826,272	7,492,214	7,826,272	7,492,214
Total expenses	<u>7,780,798</u>	<u>8,035,894</u>	<u>7,826,272</u>	<u>7,492,214</u>	<u>15,607,070</u>	<u>15,528,108</u>
Change before contributions and transfers	1,305,429	377,487	(284,027)	(64,951)	1,021,402	312,536
Contributions to permanent fund	<u>40,300</u>	<u>29,650</u>	<u>-</u>	<u>-</u>	<u>40,300</u>	<u>29,650</u>
Change in net assets	1,345,729	407,137	(284,027)	(64,951)	1,061,702	342,186
Net assets - beginning of year	<u>33,404,744</u>	<u>32,997,607</u>	<u>47,377,712</u>	<u>47,442,663</u>	<u>80,782,456</u>	<u>80,440,270</u>
Net assets - end of year	<u>\$34,750,473</u>	<u>\$33,404,744</u>	<u>\$47,093,685</u>	<u>\$47,377,712</u>	<u>\$81,844,158</u>	<u>\$80,782,456</u>

Governmental Activities. During the year the Township invested \$3,132,932 or 40.3% of governmental activities expenses in public safety. Recreation and culture expenses amounted to \$2,920,958 or 37.5% of governmental activities while general government, public works, and community and economic development made up the remaining 22.2% of governmental activities expenses.

Financial Analysis of the Government'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. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$8,180,125, a decrease of \$202,551 in comparison with the prior year. Of the \$8,180,125, \$7,055,251 is reported in the general fund. \$1,000,000 of this amount has been committed by the Township board to be used for stabilization of future budgets

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 \$5,894,568. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unassigned fund balance represents 63.6% of total general fund expenditures. The fund balance of the Township's general fund decreased by \$256,687 during the current fiscal year

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 assets of the Water and Sewer Fund at the end of the year amounted to \$3,708,391. The water and sewer fund had a decrease in net assets for the year of \$284,027.

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, 2011, amounted to \$69,905,090 (net of accumulated depreciation).

The Township's Capital Assets (net of depreciation) are summarized as follows:

Georgetown Charter Township's Capital Assets (net of depreciation)

	Governmental activities	Business-type activities	Total
Land	\$ 2,996,130	\$ 299,588	\$ 3,295,718
Construction in progress	-	-	-
Buildings and improvements	10,822,177	404,627	11,226,804
Land improvements	2,049,958	-	2,049,958
Machinery and equipment	294,758	-	294,758
Office furniture and equipment	17,099	20,831	37,930
Vehicles	1,691,318	42,126	1,733,444
Infrastructure	8,648,356	-	8,648,356
Water systems	-	15,869,418	15,869,418
Sewer systems	-	26,748,704	26,748,704
Total	\$26,519,796	\$43,385,294	\$69,905,090

Additional information on the Township's capital assets can be found in the footnotes to the financial statements.

Debt. At the end of the current fiscal year, the Township had no debt outstanding.

Budgetary Highlights

The Township adopted an annual appropriated budget for its general fund for 2011. The budget was amended for the purchase of property at 200 Baldwin.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Township's budget for the 2011 fiscal year:

- The decline in taxable values of property will take many years to replace lost potential revenue. Taxable values can decline at any rate but can only be increased at the lower of inflation or 5%.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Superintendent, 1515 Baldwin, Jenison, Michigan 49429.

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BASIC FINANCIAL STATEMENTS

GEORGETOWN CHARTER TOWNSHIP

STATEMENT OF NET ASSETS

DECEMBER 31, 2011

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 9,606,263	\$ 3,495,252	\$ 13,101,515
Receivables:			
Taxes	1,524,136	-	1,524,136
Accounts	185,430	1,169,580	1,355,010
Interest	19,496	-	19,496
Due from other governments	671,726	-	671,726
Prepaid items	<u>160,683</u>	<u>-</u>	<u>160,683</u>
 Total current assets	 <u>12,167,734</u>	 <u>4,664,832</u>	 <u>16,832,566</u>
 Noncurrent assets			
Special assessment receivable	62,603	237,815	300,418
Capital assets:			
Non-depreciable	2,996,130	299,588	3,295,718
Depreciable capital assets, net	<u>23,523,666</u>	<u>43,085,706</u>	<u>66,609,372</u>
 Total noncurrent assets	 <u>26,582,399</u>	 <u>43,623,109</u>	 <u>70,205,508</u>
 Total assets	 <u>38,750,133</u>	 <u>48,287,941</u>	 <u>87,038,074</u>
Liabilities			
Accounts payable	855,468	1,194,256	2,049,724
Unearned revenue	<u>3,144,192</u>	<u>-</u>	<u>3,144,192</u>
 Total current liabilities	 <u>3,999,660</u>	 <u>1,194,256</u>	 <u>5,193,916</u>
Net assets			
Invested in capital assets	26,519,796	43,385,294	69,905,090
Restricted for:			
Perpetual care	1,124,874	-	1,124,874
Unrestricted	<u>7,105,803</u>	<u>3,708,391</u>	<u>10,814,194</u>
 Total net assets	 <u>\$ 34,750,473</u>	 <u>\$ 47,093,685</u>	 <u>\$ 81,844,158</u>

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

GEORGETOWN CHARTER TOWNSHIP

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Primary government					
Governmental activities					
General government	\$ 834,411	\$ 647,106	\$ -	\$ -	\$ (187,305)
Public safety	3,132,932	77,529	-	102,911	(2,952,492)
Public works	878,603	201,388	-	-	(677,215)
Community and economic development	13,894	-	-	-	(13,894)
Culture and recreation	<u>2,920,958</u>	<u>925,889</u>	<u>47,614</u>	<u>-</u>	<u>(1,947,455)</u>
Total governmental activities	<u>7,780,798</u>	<u>1,851,912</u>	<u>47,614</u>	<u>102,911</u>	<u>(5,778,361)</u>
Business-type activities					
Sewer & water	<u>7,826,272</u>	<u>7,151,458</u>	<u>-</u>	<u>360,169</u>	<u>(314,645)</u>
Total primary government	<u>\$ 15,607,070</u>	<u>\$ 9,003,370</u>	<u>\$ 47,614</u>	<u>\$ 463,080</u>	<u>\$ (6,093,006)</u>

(Continued)

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

GEORGETOWN CHARTER TOWNSHIP

STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2011

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets			
Net (expense) revenue	\$ (5,778,361)	\$ (314,645)	\$ (6,093,006)
General revenues			
Property taxes	3,225,726	-	3,225,726
State shared revenues	3,537,539	-	3,537,539
Unrestricted investment earnings	84,778	30,618	115,396
Miscellaneous	235,747	-	235,747
Contributions to permanent fund	40,300	-	40,300
Total general revenues and contributions	<u>7,124,090</u>	<u>30,618</u>	<u>7,154,708</u>
Change in net assets	1,345,729	(284,027)	1,061,702
Net assets, beginning of year	<u>33,404,744</u>	<u>47,377,712</u>	<u>80,782,456</u>
Net assets, end of year	<u>\$ 34,750,473</u>	<u>\$ 47,093,685</u>	<u>\$ 81,844,158</u>

(Concluded)

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

GEORGETOWN CHARTER TOWNSHIP

GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2011

	<u>General</u>	<u>Nonmajor Perpetual Care Permanent Fund</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 8,481,389	\$ 1,124,874	\$ 9,606,263
Receivables:			
Taxes	1,524,136	-	1,524,136
Accounts	185,430	-	185,430
Special assessments	62,603	-	62,603
Interest	19,496	-	19,496
Due from other governments	671,726	-	671,726
Prepaid items	<u>160,683</u>	<u>-</u>	<u>160,683</u>
Total assets	<u>\$ 11,105,463</u>	<u>\$ 1,124,874</u>	<u>\$ 12,230,337</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 843,417	\$ -	\$ 843,417
Deferred revenue	<u>3,206,795</u>	<u>-</u>	<u>3,206,795</u>
Total liabilities	<u>4,050,212</u>	<u>-</u>	<u>4,050,212</u>
Fund balances			
Non-spendable			
Prepaid items	160,683	-	160,683
Restricted for perpetual care	-	1,124,874	1,124,874
Committed			
Stabilization funds	1,000,000	-	1,000,000
Assigned	-	-	-
Unassigned	<u>5,894,568</u>	<u>-</u>	<u>5,894,568</u>
Total fund balances	<u>7,055,251</u>	<u>1,124,874</u>	<u>8,180,125</u>
Total liabilities and fund balances	<u>\$ 11,105,463</u>	<u>\$ 1,124,874</u>	<u>\$ 12,230,337</u>

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

GEORGETOWN CHARTER TOWNSHIP

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

DECEMBER 31, 2011

Fund balances - total governmental funds	\$ 8,180,125
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	2,996,130
Add - capital assets (net of accumulated depreciation)	23,523,666
Certain assets are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.	
Add - special assessments deferred receivable	62,603
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	<u>(12,051)</u>
Net assets of governmental activities	<u>\$ 34,750,473</u>

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

GEORGETOWN CHARTER TOWNSHIP

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	Nonmajor Perpetual Care Permanent <u>Fund</u>	<u>Total</u>
Revenues			
Taxes	\$ 3,225,726	\$ -	\$ 3,225,726
Licenses and permits	451,795	-	451,795
Grants	150,525	-	150,525
State	3,537,539	-	3,537,539
Charges for services	1,060,864	40,300	1,101,164
Fines	276,650	-	276,650
Investment earnings	35,181	49,597	84,778
Miscellaneous	235,747	-	235,747
	<u>8,974,027</u>	<u>89,897</u>	<u>9,063,924</u>
Total revenues			
Expenditures			
Current			
General government	2,406,210	-	2,406,210
Public safety	2,419,630	-	2,419,630
Public works	1,315,573	-	1,315,573
Community and economic development	13,894	-	13,894
Culture and recreation	3,111,168	-	3,111,168
	<u>9,266,475</u>	<u>-</u>	<u>9,266,475</u>
Total expenditures			
Revenues over (under) expenditures	<u>(292,448)</u>	<u>89,897</u>	<u>(202,551)</u>
Other financing sources (uses)			
Transfers in	35,761	-	35,761
Transfers out	-	(35,761)	(35,761)
	<u>35,761</u>	<u>(35,761)</u>	<u>-</u>
Total other financing sources (uses)			
Net changes in fund balances	(256,687)	54,136	(202,551)
Fund balances, beginning of year	<u>7,311,938</u>	<u>1,070,738</u>	<u>8,382,676</u>
Fund balances, end of year	<u>\$ 7,055,251</u>	<u>\$ 1,124,874</u>	<u>\$ 8,180,125</u>

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

GEORGETOWN CHARTER TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

Net changes in fund balances - total governmental funds	\$ (202,551)
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 are allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	3,618,392
Deduct - depreciation expense	(2,134,988)
Special assessments receivable are long-term in nature and are collectable over several years. However the current receipts are reflected as revenues on the fund statements.	
Add - special assessment rolls issued during the year	62,603
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 the funds.	
Add - decrease in compensated absences	<u>2,273</u>
Change in net assets of governmental activities	<u>\$ 1,345,729</u>

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

GEORGETOWN CHARTER TOWNSHIP

PROPRIETARY FUND STATEMENT OF NET ASSETS

DECEMBER 31, 2011

	<u>Enterprise</u>
	<u>Water & Sewer</u>
Assets	
Current assets	
Cash and pooled investments	\$ 3,495,252
Accounts receivable	<u>1,169,580</u>
Total current assets	<u>4,664,832</u>
Noncurrent assets	
Special assessments receivable	237,815
Land	299,588
Property, plant and equipment-net of accumulated depreciation	<u>43,085,706</u>
Total noncurrent assets	<u>43,623,109</u>
Total assets	<u>48,287,941</u>
Liabilities	
Current liabilities	
Accounts payable	<u>1,194,256</u>
Net assets	
Invested in capital assets	43,385,294
Unrestricted	<u>3,708,391</u>
Total net assets	<u>\$ 47,093,685</u>

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

GEORGETOWN CHARTER TOWNSHIP

PROPRIETARY FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Enterprise</u>
	<u>Water & Sewer</u>
Operating revenue	
Charges for services	
Water sales	\$ 3,423,222
Sewage disposal services	<u>3,558,581</u>
Total charges for services	6,981,803
Other revenue	<u>169,655</u>
Total operating revenue	<u>7,151,458</u>
Operating expense	
Cost of water	2,309,087
Cost of sewage disposal	2,846,351
Operations and maintenance	563,013
Administration	640,705
Depreciation	<u>1,467,116</u>
Total operating expense	<u>7,826,272</u>
Operating income (loss)	(674,814)
Non-operating revenue (expense)	
Investment earnings	<u>30,618</u>
Total non-operating revenue (expense)	<u>30,618</u>
Income (loss) before transfers and capital contributions	(644,196)
Connection charges and contributions	<u>360,169</u>
Changes in net assets	(284,027)
Net assets, beginning of year	<u>47,377,712</u>
Net assets, end of year	<u><u>\$ 47,093,685</u></u>

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

GEORGETOWN CHARTER TOWNSHIP

PROPRIETARY FUND STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Enterprise</u>
	<u>Water & Sewer</u>
Cash flows from operating activities	
Receipts from customers and users	\$ 7,136,482
Payments to employees	(643,403)
Payments to suppliers	<u>(6,205,626)</u>
Net cash provided by (used in) operating activities	<u>287,453</u>
Cash flows from capital and related financing activities	
Connection charges and contributions	360,169
Special assessments collected (issued)	(8,278)
Proceeds from sale of capital assets	3,600
Acquisition of capital assets	<u>(1,787,019)</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,431,528)</u>
Cash flows from investing activities	
Interest income	<u>30,618</u>
Net increase (decrease) in cash and pooled investments	(1,113,457)
Cash and pooled investments, beginning of year	<u>4,608,709</u>
Cash and pooled investments, end of year	<u>\$ 3,495,252</u>
Cash flows from operating activities	
Operating income (loss)	\$ (674,814)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	1,467,116
Change in operating assets and liabilities which provided (used) cash:	
Accounts receivable	(14,976)
Accounts payable	<u>(489,873)</u>
Net cash provided by (used in) operating activities	<u>\$ 287,453</u>

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

GEORGETOWN CHARTER TOWNSHIP

**AGENCY FUND
STATEMENT OF ASSETS AND LIABILITIES**

DECEMBER 31, 2011

Assets

Cash and pooled investments \$ 576,736

Liabilities

Accounts payable \$ 576,683
Due to other governments 53

Total liabilities

\$ 576,736

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

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GEORGETOWN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Georgetown Charter Township (the "Township") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

These financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. The Township has no component units to be included.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between enterprise functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *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 levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

GEORGETOWN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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, except for reimbursement based grants, state shared revenue, and interest which use a one year collection 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. Taxes, State revenue, grants, charges for services, licenses, 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. All other revenue items are considered to be measurable and available only when cash is received by the Township.

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 fund are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Township reports the following major governmental fund:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources, except those required to be accounted for in another fund.

The Township reports the following major proprietary fund:

The *Water and Sewer Enterprise Fund* is used to account for the operations of the Township's water distribution system and wastewater collection system which provides water and sewer services on a user charge basis.

Additionally, the Township reports the following fund types:

The *Permanent Fund* is used to account for the assets held by the township pursuant to a trust agreement. The principal portion of the fund must remain intact, but the earnings may be used to achieve the objectives of the fund.

The *Agency Fund* is used to account for the collection and disbursement of funds that are collected on behalf of outside governments or other parties.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed by both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

GEORGETOWN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Budgets and Budgetary Accounting

Comparisons to budget are presented for the general and special revenue funds. General and special revenue funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Superintendent submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget is adopted by department within a function.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year end.
6. Adoption and amendments of all budgets used by the Township are governed by Michigan State law. The appropriations resolution is based on the projected expenditures budgets of the department heads of the Township. Any amendment to the original budget must meet the requirements of Michigan law. Any revisions that alter the total expenditures of any department within a function must be approved by the Board of Trustees. Thus the legal level of budgetary control is at the department within a function level. Supplemental appropriations were necessary during the year.

Cash and Pooled Investments

For the purpose of the statement of cash flows, the Township considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal at any time similar to a demand deposit account.

Investments

Investments are stated at fair value at the balance sheet date. Interest income earned by the pool is allocated by capturing the average daily balance of each individual fund relative to the average daily balance of all funds participating in the pool.

Township investment policy allows for all investment authorized by State statutes. State statutes authorize the Township to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

GEORGETOWN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

- c. 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.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase that are rated as investment grade by at least one standard rating service.
- f. 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.
- g. External investment pools as authorized by Public Act 20 as amended.

Receivables and Payables

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".

All trade and property tax receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial to the financial statements.

Prepaid Items

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

Capital Assets

Capital assets, which include land, construction in progress, buildings and equipment, and infrastructure assets (e.g., water and sewer systems, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (\$20,000 for business-type activities) and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

GEORGETOWN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Included in capital assets as infrastructure, are the Township's investment in roads and drains within the township that are considered intangible assets (shared road improvements and flowage rights). Although paid for by the township, Michigan law makes these assets property of the County (along with the responsibility to maintain them).

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings and improvements	40
Water and sewer lines	50
Roads (shared road improvements)	15
Drains (flowage rights)	15
Vehicles	5-20
Office furniture and equipment	5

Deferred Revenue

Funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the funds were as follows:

Governmental funds	
Property taxes	\$3,144,192
Special assessments	<u>62,603</u>
Total governmental funds	<u>\$3,206,795</u>

Compensated Absences

Individual employees have a vested right to receive payments for unused vacation. Accumulated compensated absences of governmental funds are recorded on the statement of net assets and not on the governmental fund balance sheets because the balance is not expected to be liquidated with expendable available financial resources.

GEORGETOWN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Fund Equity

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal action of the entity's governing board.
4. Assigned - the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund Balance can only be committed by resolution of the Board.

Stabilization amounts are established by formal action of the Board. Any increases or use of stabilization amounts are required to be authorized by the Board.

When multiple net asset/fund balance classifications are available for use it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed.

Property Taxes

Township property taxes attach as an enforceable lien on property as of December 1 of each year and are due without penalty on or before February 14. Tax bills include the Township's own property taxes and taxes billed on behalf of other taxing units. Real property taxes not collected as of March 1 are turned over to the county for collection, which advances the Township 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer. The December 1 levy is recorded as a receivable (to the extent uncollected) and deferred revenue at the end of the year and is intended to fund expenditures of the following year.

Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. Charges between enterprise funds and other functions of the Township are not reimbursements because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Remaining transactions are generally reflected as transfers.

GEORGETOWN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2011, the Township carried commercial insurance to cover risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a department within a function basis. The approved budgets of the Township for these budgeted funds were adopted at the department within a function level.

During the year ended December 31, 2011, the Township incurred the following expenditures which were in excess of the amounts appropriated:

	<u>Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
General Fund			
Public Works			
Street lighting	\$422,000	\$426,730	\$(4,730)

3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and pooled investments and investments are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and pooled investments	\$9,606,263	\$3,495,252	\$576,736	\$13,678,251

The cash and investments making up the above balances are as follows:

Deposits	\$13,142,687
Investments	535,564
Total	<u>\$13,678,251</u>

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Township and a specific fund or common account. They are recorded in Township records at fair value. Interest is recorded when earned.

GEORGETOWN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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, the entire Township's bank balance of \$15,583,918 was insured. The township evaluates each financial institution with which it deposits township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

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

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
US Treasury Note 8.75%	5/15/17	\$535,563	AAA	Moody

Investment and deposit risk

Interest Rate Risk. State law and Township policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant 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. The maturity date for each investment is identified above for investments held 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 Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year end.

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. Of the above investments \$535,563 is subject to custodial credit risk because the investments are uninsured and unregistered and held by the Township's brokerage firm.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The Township has not adopted a formal policy for concentration of credit risk. All investments held at year-end are reported above.

GEORGETOWN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance January 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2011</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 1,230,223	\$ 1,765,907	\$ -	\$ 2,996,130
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	1,230,223	1,765,907	-	2,996,130
Capital assets, being depreciated				
Buildings and improvements	14,886,845	-	-	14,886,845
Land improvements	2,302,048	884,438	-	3,186,486
Machinery and equipment	1,178,934	32,124	-	1,211,058
Office furniture and equipment	328,875	-	-	328,875
Vehicles	2,973,034	-	-	2,973,034
Infrastructure	21,686,072	935,923	-	22,621,995
Total capital assets, being depreciated	43,355,808	1,852,485	-	45,208,293
Less accumulated depreciation for				
Buildings and improvements	3,688,676	375,992	-	4,064,668
Land improvements	969,594	166,934	-	1,136,528
Machinery and equipment	829,772	86,528	-	916,300
Office furniture and equipment	299,372	12,404	-	311,776
Vehicles	1,126,784	154,932	-	1,281,716
Infrastructure	12,635,441	1,338,198	-	13,973,639
Total accumulated depreciation	19,549,639	2,134,988	-	21,684,627
Net capital assets, being depreciated	23,806,169	(282,503)	-	23,523,666
Governmental Activities capital assets, net	\$25,036,392	\$1,483,404	\$ -	\$26,519,796

GEORGETOWN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Balance</u> <u>January 1,</u> <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u> <u>2011</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 166,713	\$132,875	\$ -	\$ 299,588
Construction in progress	34,565	-	34,565	-
Total capital assets, not being depreciated	<u>201,278</u>	<u>132,875</u>	<u>34,565</u>	<u>299,588</u>
Capital assets being depreciated				
Buildings	1,102,722	-	-	1,102,722
Furniture and equipment	170,790	-	-	170,790
Vehicles	134,097	20,221	17,997	136,321
Water systems	22,176,297	1,642,669	-	23,818,966
Sewer systems	40,231,868	25,819	-	40,257,687
Total capital assets, being depreciated	<u>63,815,774</u>	<u>1,688,709</u>	<u>17,997</u>	<u>65,486,486</u>
Less accumulated depreciation for				
Buildings	642,959	55,136	-	698,095
Furniture and equipment	136,554	13,405	-	149,959
Vehicles	90,655	17,937	14,397	94,195
Water systems	7,473,169	476,379	-	7,949,548
Sewer systems	12,604,724	904,259	-	13,508,983
Total accumulated depreciation	<u>20,948,061</u>	<u>1,467,116</u>	<u>14,397</u>	<u>22,400,780</u>
Net capital assets, being depreciated	<u>42,867,713</u>	<u>221,593</u>	<u>3,600</u>	<u>43,085,706</u>
Business-type Activities capital assets, net	<u>\$43,068,991</u>	<u>\$354,468</u>	<u>\$38,165</u>	<u>\$43,385,294</u>

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

Governmental Activities	
General government	\$ 275,854
Public safety	713,302
Public works	467,628
Culture and recreation	<u>678,204</u>
Total depreciation expense - governmental activities	<u>\$2,134,988</u>
 Business-type Activities	
Water & Sewer	<u>\$1,467,116</u>

5. LONG-TERM DEBT COMMITMENT

The Township, along with other local municipalities, purchases water from the City of Wyoming for storage and distribution to the township's customers. The City of Wyoming bills Ottawa County for this water purchase which in turn bills individual municipalities.

GEORGETOWN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Ottawa County has issued general obligation bonds to provide for the construction and acquisition of a portion of the City of Wyoming water system for the benefit of the local municipalities. Each participating municipality has pledged its full faith and credit for the payment of its respective share of contract payments to Ottawa County sufficient to pay the principal and interest on the bonds.

Separate contract payments for principal and interest on these bonds are not made by the Township but instead are included as part of the overall water rate charged by Ottawa County to the Township.

At December 31, 2011, the portion of these Ottawa County bonds outstanding for which the Township has pledged its full faith and credit amounted to \$29,522,448.

6. PENSION PLANS

Defined Contribution Pension Plans

The Georgetown Charter Township Group Pension Plan is a defined contribution plan established by the township to provide benefits at retirement to employees of the township meeting length of service requirements. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. No contributions are required of plan members. The township contribution is 11.5% of covered salary and amounted to \$155,020 for 2011. Plan provisions and contribution requirements are established and may be amended by the Georgetown Charter Township Board.

Deferred Compensation Plan

The Township offers employees a deferred compensation plan created in accordance with Internal Revenue code Section 457. The Plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All Assets of the plan are held in trust for employees and the related assets and liabilities are not included in this report.

7. COMMITMENTS

At year end, the Township had outstanding commitments of approximately \$750,000 for construction projects.

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REQUIRED SUPPLEMENTARY INFORMATION

GEORGETOWN CHARTER TOWNSHIP

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,207,500	\$ 3,225,500	\$ 3,225,726	\$ 226
Licenses and permits	382,525	382,525	451,795	69,270
Grants	-	48,318	150,525	102,207
State	2,737,000	2,737,000	3,537,539	800,539
Charges for services	1,027,025	1,139,825	1,060,864	(78,961)
Fines	295,000	295,000	276,650	(18,350)
Investment earnings	110,000	110,000	35,181	(74,819)
Miscellaneous	162,000	162,000	235,747	73,747
Total revenues	<u>7,921,050</u>	<u>8,100,168</u>	<u>8,974,027</u>	<u>873,859</u>
Expenditures				
Current				
General government				
Township Board	50,500	50,500	40,767	9,733
Supervisor	49,300	49,300	32,772	16,528
Township office	198,477	1,964,477	1,838,115	126,362
Elections	18,150	27,550	22,579	4,971
Assessor	157,775	157,775	131,535	26,240
Clerk	20,780	20,780	15,234	5,546
Board of Review	4,305	4,305	3,495	810
Treasurer	20,450	20,450	16,102	4,348
Superintendent	151,555	151,555	146,269	5,286
Cemetery	165,575	165,575	159,342	6,233
	<u>836,867</u>	<u>2,612,267</u>	<u>2,406,210</u>	<u>206,057</u>
Public safety				
Sheriff E-Unit	1,652,000	1,652,000	1,398,657	253,343
School safety	73,300	73,300	66,677	6,623
Fire department	726,000	726,000	711,500	14,500
Building inspection	263,050	263,050	220,853	42,197
Civil defense	22,620	22,620	21,943	677
	<u>2,736,970</u>	<u>2,736,970</u>	<u>2,419,630</u>	<u>317,340</u>
Public works				
Drains	153,000	118,600	44,466	74,134
Streets	1,735,000	1,735,000	844,377	890,623
Street lighting	422,000	422,000	426,730	(4,730)
	<u>2,310,000</u>	<u>2,275,600</u>	<u>1,315,573</u>	<u>960,027</u>

(Continued)

GEORGETOWN CHARTER TOWNSHIP

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2011

Community and economic development				
Planning Commission	\$ 25,900	\$ 25,900	\$ 10,168	\$ 15,732
Zoning Board of Appeals	6,500	6,500	3,726	2,774
	<u>32,400</u>	<u>32,400</u>	<u>13,894</u>	<u>18,506</u>
Recreation and culture				
Parks	1,234,375	1,234,375	1,194,945	39,430
Senior transportation	-	136,600	134,563	2,037
Senior center	-	100,860	77,904	22,956
Community projects	73,000	73,000	73,000	-
Historical Society	10,800	10,800	5,490	5,310
Ice arena	844,550	844,550	660,678	183,872
Library	1,183,125	1,202,425	964,588	237,837
	<u>3,345,850</u>	<u>3,602,610</u>	<u>3,111,168</u>	<u>491,442</u>
Total expenditures	<u>9,262,087</u>	<u>11,259,847</u>	<u>9,266,475</u>	<u>1,993,372</u>
Revenues over (under) expenditures	<u>(1,341,037)</u>	<u>(3,159,679)</u>	<u>(292,448)</u>	<u>2,867,231</u>
Other financing sources (uses)				
Budgeted use of fund balance	1,370,037	3,117,679	-	(3,117,679)
Transfers in	42,000	42,000	35,761	(6,239)
Transfers out	(71,000)	-	-	-
	<u>1,341,037</u>	<u>3,159,679</u>	<u>35,761</u>	<u>(3,123,918)</u>
Net change in fund balance	-	-	(256,687)	(256,687)
Fund balances, beginning of year	<u>7,311,938</u>	<u>7,311,938</u>	<u>7,311,938</u>	<u>-</u>
Fund balances, end of year	<u>\$ 7,311,938</u>	<u>\$ 7,311,938</u>	<u>\$ 7,055,251</u>	<u>\$ (256,687)</u>

(Concluded)

Note to required supplementary information

Budgets and Budgetary Accounting

The Township adopts an annual budget for the general fund following the GAAP basis of accounting. Unexpended appropriations lapse at year end.

**INDIVIDUAL FUND
FINANCIAL SCHEDULE**

GEORGETOWN CHARTER TOWNSHIP

**PERPETUAL CARE PERMANENT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ -	\$ -	\$ 40,300	\$ 40,300
Investment earnings	42,000	42,000	35,761	(6,239)
Change in fair value of investments	-	-	13,836	13,836
Total revenues	42,000	42,000	89,897	47,897
Other financing sources (uses)				
Transfers out	(42,000)	(42,000)	(35,761)	6,239
Net changes in fund balances	-	-	54,136	54,136
Fund balances, beginning of year	<u>1,070,738</u>	<u>1,070,738</u>	<u>1,070,738</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,070,738</u>	<u>\$ 1,070,738</u>	<u>\$ 1,124,874</u>	<u>\$ 54,136</u>