

**THE CHARTER
TOWNSHIP OF ALPENA**

Audited Financial Statements

Year Ended March 31, 2020

STRALEY LAMP & KRAENZLEIN P.C.

The Charter Township of Alpena

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Straley Lamp & Kraenzlein P.C.

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
The Charter Township of Alpena
Alpena Township, 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 The Charter Township of Alpena, Michigan (the Township), as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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 entity'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 entity'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 unmodified and qualified audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Qualified
General Fund	Unmodified
Public Safety Fund	Unmodified
Business-Type Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Business-Type Activities and Business-Type Fund

Management has not been able to produce detailed records of the capital assets in the business-type fund. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which may change the assets, net position, and expenses of the business-type activities and business-type fund. The amount by which this departure would affect the assets, net position, and expenses of the business-type fund has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Business-Type Activities and Business-Type Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and business-type fund of The Charter Township of Alpena, Michigan, as of March 31, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information 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 operation, economic, or historical contexts. 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 procedure does not provide us with sufficient evidence to express an opinion or provide any assurance.

Straley Lamp & Kraenzlein P.C.

Alpena, Michigan
August 20, 2020

The Charter Township of Alpena

Management's Discussion and Analysis

As management of The Charter Township of Alpena (the "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 March 31, 2020. Please read it in conjunction with the Township's financial statements.

Financial Highlights

- The Township's total net position decreased \$49,348 as a result of this year's operations.
- The Township assets of \$17,761,183 exceeded its liabilities of \$6,682,727 by \$11,078,456.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$881,892, which represents 51% of the actual total General Fund expenditures for the fiscal year.
- The Township's Water and Sewer Fund net position decreased \$320,108. Revenues and expenses decreased \$684,578 and \$524,547, respectively, from the prior year primarily due to the provisional water and sewer rates that were being charged to customers and expensed as it was contributed to an escrow account (this was being done in relation to the ongoing City of Alpena water and sewer dispute) ending during the prior fiscal.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required 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 Township's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the Township of Alpena 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 of Alpena include general government, public safety, public works, social services, recreation and cultural, and interest on long-term debt.

The business-type activities of the Township of Alpena include the Water and Sewer Fund.

The Charter Township of Alpena

Management's Discussion and Analysis

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains two individual governmental funds, the General Fund and the Public Safety fund, both of which are considered to be major funds.

Proprietary funds. The Township maintains one proprietary fund, an enterprise fund, for the water and sewer activities. The Township utilizes an *Enterprise fund* 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.

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 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 for the General Fund and major governmental fund budget comparisons.

The Charter Township of Alpena

Management's Discussion and Analysis

Financial Analysis of The Township as A Whole

Summary of net position:

	Governmental activities		Business-type activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$1,884,296	\$1,550,478	\$ 6,511,138	\$ 6,997,014	\$ 8,395,434	\$ 8,547,492
Capital assets, net of depreciation	2,582,904	2,389,431	6,782,845	6,973,357	9,365,749	9,362,788
Total assets	4,467,200	3,939,909	13,293,983	13,970,371	17,761,183	17,910,280
Current liabilities	515,616	283,442	4,517,461	5,163,427	5,033,077	5,446,869
Non-current liabilities	173,133	148,776	1,476,517	1,186,831	1,649,650	1,335,607
Total liabilities	688,749	432,218	5,993,978	6,350,258	6,682,727	6,782,476
Net position:						
Net investment in capital assets	2,283,957	2,203,966	5,594,133	5,586,526	7,878,090	7,790,492
Unrestricted	1,494,494	1,303,725	1,705,872	2,033,587	3,200,366	3,337,312
	\$3,778,451	\$3,507,691	\$ 7,300,005	\$ 7,620,113	\$ 11,078,456	\$ 11,127,804

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The total net position at the end of the fiscal year was \$11,078,456. Of this total, \$7,878,090 (71%) is invested in capital assets (e.g., land, buildings and equipment); less any outstanding debt used to acquire those assets. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining portion of net position is unrestricted net position with a balance of \$3,200,366 (29%) at March 31, 2020.

The Charter Township of Alpena

Management's Discussion and Analysis

Summary of Changes in Net Position:

	Governmental activities		Business-type activities		Totals	
	2020	2019	2020	2019	2020	2019
Program revenues:						
Charges for services	\$ 765,402	\$ 789,380	\$2,422,757	\$3,050,050	\$ 3,188,159	\$ 3,839,430
General revenues:						
Property taxes	1,107,665	1,059,428	-	-	1,107,665	1,059,428
State share revenue	879,996	832,688	-	-	879,996	832,688
Investment income	10,091	2,626	18,074	19,149	28,165	21,775
Other taxes	24,850	21,683	167,080	209,790	191,930	231,473
Proceeds from loss recoveries	-	-	-	-	-	-
Miscellaneous	2,150	29,921	-	-	2,150	29,921
Gain on sale of asset	-	-	-	13,500	-	13,500
Total revenues	2,790,154	2,735,726	2,607,911	3,292,489	5,398,065	6,028,215
Expenses:						
General government	805,115	828,368	-	-	805,115	828,368
Public safety	1,352,494	1,297,350	-	-	1,352,494	1,297,350
Public works	301,264	144,454	2,928,019	3,452,566	3,229,283	3,597,020
Social services	41,366	41,890	-	-	41,366	41,890
Recreation and culture	15,588	3,298	-	-	15,588	3,298
Interest on long-term debt	3,567	4,370	-	-	3,567	4,370
Total expenses	2,519,394	2,319,730	2,928,019	3,452,566	5,447,413	5,772,296
Changes in position	270,760	415,996	(320,108)	(160,077)	(49,348)	255,919
Net position - beginning of the	3,507,691	3,091,695	7,620,113	7,780,190	11,127,804	10,871,885
Net position - end of the year	<u>\$3,778,451</u>	<u>\$3,507,691</u>	<u>\$7,300,005</u>	<u>\$7,620,113</u>	<u>\$ 11,078,456</u>	<u>\$ 11,127,804</u>

Governmental activities

Governmental activities increased the Township's net position by \$270,760 in 2020 compared to a \$415,996 in 2019. Revenue remained relatively consistent with 2019 amounts, with an overall increase of \$54,428. The overall increase was primarily due to the increase in property taxes of \$48,237, an increase in state shared revenue of \$47,308 and a decrease in miscellaneous revenue of \$27,771. Total governmental expenses were \$199,664 more in 2020 compared to 2019. The difference is primarily due to a \$156,810 increase in public works and a \$55,144 increase in public safety expenses.

The total cost of governmental activities this year was \$2,519,394. After subtracting the direct charges to those who directly benefited from the programs of \$765,402, the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$1,753,992 in 2020.

Business type activities

The net position of the Township's business-type activities decreased by \$320,108 in 2020 compared to a \$160,077 decrease in 2019. Both revenue and expenses decreased from the 2019 amounts.

The Charter Township of Alpena

Management's Discussion and Analysis

Financial Analysis of The Township's Funds

At March 31, 2020, the Township's governmental funds reported a combined fund balance of \$1,528,849, an increase of \$193,083 over the prior year. As of March 31, 2020, there was total of \$881,892 (58%) of fund balance that constitutes as unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is categorized as follows: \$240,188 (16%) is restricted to indicate that it is for a specific purpose of the fund, \$388,767 (25%) was committed by a board of trustees action, and \$18,002 (1%) was nonspendable which is required to maintain intact.

The General Fund's fund balance decreased \$15,080 from the prior year. Overall revenues increased slightly by \$71,470 over the prior year. This was mainly due to the increase of \$47,308 in state revenue with other revenue line items staying relatively consistent with the prior year. Overall expenditures increased \$181,769, with most expenditures remaining relatively consistent. There was a large increase of \$156,810 in public works, which was a result of increased contributions to the Alpena County Road Commission for various road projects within the Township. Other financing sources, which consists of a transfer to the public safety fund decreased \$100,055 from the prior fiscal year.

General Fund Budgetary Highlights

Actual revenues exceeded the budget by \$83,497. The majority of this was due to charges for services exceeding the budget by \$76,749. Both the licenses and permits and state revenue were increased from the original budget to the amended budget by about \$60,000. All other revenue budget amendments were not significant.

Overall expenditures were \$76,372 less than budgeted. The majority of the expenditure budget amendments were not significant other than one amendment for highway and streets, a public works function, where the original budget was increased by \$130,764. See Note 2 to the financial statements for further information related to the budget.

Capital Assets and Debt Administration

Capital assets

At March 31, 2020, the Township had invested, net of depreciation, in various capital assets, including its land, buildings, equipment, and infrastructure.

More detailed information about the Township's capital assets is presented in Note 4 of the notes to the basic financial statements.

Debt administration

At the end of the fiscal year, the Township had total debt outstanding in the amount of \$1,553,359 a decrease of \$104,775.

Long-term debt obligations consisted of a liability for compensated absences of \$65,700, water project bond of \$1,200,000, installment loan of \$295,681 and a capital copier lease of \$3,266.

More detailed information about the Township's long-term debt is presented in Note 7 of the notes to the basic financial statements.

The Charter Township of Alpena

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets And Rates

As the Township moves into fiscal year 2020-2021 the Township will continue to monitor and improve the internal control structure. Now that the Township is on the fourth year of utilizing the BS&A accounting software, there have been tremendous improvements in utilizing the system which are anticipated to continue into the new fiscal year. We have also expanded the means in which residents can pay their taxes and bills, by offering online options and direct payment through financial institutions.

The Township is expecting to see an increase of nearly \$6,700,000 in taxable values on which a millage (1.0136) is assessed; this figure does not take into effect a sizable increase in new construction which will lead to an increase in property tax revenue. The Township is also looking to purchase a new fire truck during fiscal 2020-2021 for the Public Safety Fund, which is into its second year for the property tax levies of 1.5 mills for operating and .65 mills for equipment.

The Township's Board continues to improve the budget and work through quarterly budget amendments for the fiscal year. This will improve the budget and transparency for the citizens of the Township. Considering state revenue funds being reduced beginning in fiscal 2020-2021 and beyond due to the ongoing pandemic, the Board of Trustees has reduced our budget by \$160,000 in the first quarter and will anticipate additional reductions.

Contacting the Township's Financial Management

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

The Charter Township of Alpena

Township Clerk
4385 US 23 North
Alpena, MI 49707

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BASIC FINANCIAL STATEMENTS

The Charter Township of Alpena

Statement of Net Position

March 31, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,398,567	\$ 1,409,154	\$ 2,807,721
Restricted cash	-	3,953,313	3,953,313
Accounts receivable	72,348	113,505	185,853
Unbilled receivables	-	356,810	356,810
Due from other governments	207,697	-	207,697
Special assessments receivable	53,476	162,071	215,547
Internal balances	(26,985)	26,985	-
Prepaid expenses	18,002	1,495	19,497
Noncurrent assets:			
Special assessments receivable	161,191	487,805	648,996
Capital assets not being depreciated	2,002,111	17,030	2,019,141
Capital assets being depreciated, net	580,793	6,765,815	7,346,608
Total assets	4,467,200	13,293,983	17,761,183
Liabilities			
Accounts payable	24,300	162,750	187,050
Accrued liabilities	51,480	10,259	61,739
Accrued interest payable	4,240	20,000	24,240
Due to other governments	171,500	-	171,500
Unearned revenue	20,412	162,071	182,483
Other claims (Note 11)	-	3,953,313	3,953,313
Noncurrent liabilities:			
Due within one year			
Bonds and loans payable	187,052	200,000	387,052
Compensated absences	56,632	9,068	65,700
Due in more than one year			
Bonds and loans payable	111,895	988,712	1,100,607
Unearned revenue	61,238	487,805	549,043
Total liabilities	688,749	5,993,978	6,682,727
Net Position			
Net investment in capital assets	2,283,957	5,594,133	7,878,090
Unrestricted	1,494,494	1,705,872	3,200,366
Total net position	\$ 3,778,451	\$ 7,300,005	\$ 11,078,456

The accompanying notes to financial statements are an integral part of this statement.

The Charter Township of Alpena

Statement of Activities

For the Year Ended March 31, 2020

	<u>Expenses</u>	<u>Program Revenues</u>
		<u>Charges for Services</u>
<u>Functions/Programs:</u>		
Primary Government:		
Governmental activities		
General government	\$ 805,115	\$ 383,737
Public safety	1,352,494	343,593
Public works	301,264	38,072
Social services	41,366	-
Recreation and culture	15,588	-
Interest on long-term debt	3,567	-
	<hr/>	<hr/>
Total governmental activities	2,519,394	765,402
	<hr/>	<hr/>
Business-type activities:		
Water and sewer	2,928,019	2,422,757
	<hr/>	<hr/>
Total business-type activities	2,928,019	2,422,757
	<hr/>	<hr/>
Total primary government	\$ 5,447,413	\$ 3,188,159
	<hr/> <hr/>	<hr/> <hr/>
General revenues:		
Property taxes		
State shared revenue		
Investment earnings		
Other taxes and assessments		
Other miscellaneous income		
Total general revenues		
Change in net position		
Net position, beginning of the year		
Net position, end of the year		

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (421,378)	\$ -	\$ (421,378)
(1,008,901)	-	(1,008,901)
(263,192)	-	(263,192)
(41,366)	-	(41,366)
(15,588)	-	(15,588)
(3,567)	-	(3,567)
(1,753,992)	-	(1,753,992)
-	(505,262)	(505,262)
-	(505,262)	(505,262)
(1,753,992)	(505,262)	(2,259,254)
1,107,665	-	1,107,665
879,996	-	879,996
10,091	18,074	28,165
24,850	167,080	191,930
2,150	-	2,150
2,024,752	185,154	2,209,906
270,760	(320,108)	(49,348)
3,507,691	7,620,113	11,127,804
\$ 3,778,451	\$ 7,300,005	\$ 11,078,456

The Charter Township of Alpena

Governmental Funds -
Balance Sheet

March 31, 2020

	<u>General Fund</u>	<u>Public Safety</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 799,016	\$ 599,551	\$ 1,398,567
Accounts receivable, net	2,272	70,076	72,348
Special assessment receivable	214,667	-	214,667
Due from other governments	163,046	44,651	207,697
Due from other funds	11,542	313	11,855
Prepaid expenditures	10,459	7,543	18,002
Total assets	<u>\$ 1,201,002</u>	<u>\$ 722,134</u>	<u>\$ 1,923,136</u>
Liabilities			
Accounts payable	\$ 14,996	\$ 9,304	\$ 24,300
Accrued liabilities	32,322	19,158	51,480
Due to other funds	8,183	30,657	38,840
Due to other governments	171,500	-	171,500
Unavailable revenue	81,650	26,517	108,167
Total liabilities	<u>308,651</u>	<u>85,636</u>	<u>394,287</u>
Fund Balances			
Nonspendable	10,459	7,543	18,002
Restricted	-	240,188	240,188
Committed	-	388,767	388,767
Unassigned	881,892	-	881,892
Total fund balances	<u>892,351</u>	<u>636,498</u>	<u>1,528,849</u>
Total liabilities and fund balances	<u>\$ 1,201,002</u>	<u>\$ 722,134</u>	<u>\$ 1,923,136</u>

The Charter Township of Alpena

Governmental Funds - Reconciliation of Total
Governmental Fund Balances to Net Position of Governmental Activities

March 31, 2020

Fund balances - total governmental funds		\$	1,528,849
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.			
Governmental capital assets	\$	4,875,808	
Less accumulated depreciation		<u>(2,292,904)</u>	
			2,582,904
Unavailable revenue - the governmental funds are susceptible to full accrual on the Statement of Net Position			
Unavailable revenue - nonemergency transfers			26,517
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Notes payable		(298,947)	
Compensated absences		<u>(56,632)</u>	
			(355,579)
Accrued interest payable for the current portion of interest due on notes payable has not been reported in the governmental funds			<u>(4,240)</u>
Total net position - governmental activities		\$	<u><u>3,778,451</u></u>

The Charter Township of Alpena

Governmental Funds -
Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended March 31, 2020

	<u>General Fund</u>	<u>Public Safety</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 351,335	\$ 737,250	\$ 1,088,585
Other taxes	16,818	-	16,818
Special assessment income	24,850	-	24,850
Licenses and permits	125,863	-	125,863
State revenue	879,996	-	879,996
Charges for services	257,699	350,985	608,684
Investment income	5,305	4,786	10,091
Special assessment income	38,072	-	38,072
Other revenue	2,437	150	2,587
Total revenues	<u>1,702,375</u>	<u>1,093,171</u>	<u>2,795,546</u>
Expenditures			
Current			
General government	794,874	-	794,874
Public safety	216,445	1,194,862	1,411,307
Public works	301,264	-	301,264
Social services	41,366	-	41,366
Recreation and culture	15,588	-	15,588
Debt service			
Principal	-	34,497	34,497
Interest	-	3,567	3,567
Total expenditures	<u>1,369,537</u>	<u>1,232,926</u>	<u>2,602,463</u>
Other Financing Sources (Uses)			
Transfers in	-	347,918	347,918
Transfers out	<u>(347,918)</u>	<u>-</u>	<u>(347,918)</u>
Total other financing sources (uses)	<u>(347,918)</u>	<u>347,918</u>	<u>-</u>
Net Change in Fund Balances	(15,080)	208,163	193,083
Fund Balance, beginning of the year	<u>907,431</u>	<u>428,335</u>	<u>1,335,766</u>
Fund Balance, end of the year	<u>\$ 892,351</u>	<u>\$ 636,498</u>	<u>\$ 1,528,849</u>

The Charter Township of Alpena

Governmental Funds - Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Year Ended March 31, 2020

Net change in fund balances - Total governmental funds \$ 193,083

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation Expense	\$ (115,579)	
Capital Outlay	<u>309,052</u>	
		193,473

Some revenues reported in the statement of activities do not provide the use of current financial resources and therefore are not reported as revenues in governmental funds.

Unavailable revenue		(7,392)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Principal payments on long-term debt	184,220	
Proceeds from new debt	(297,702)	
Change in accrued interest payable	(4,240)	
Change in long-term compensated absences	<u>9,318</u>	
		<u>(108,404)</u>

Change in net position of governmental activities		<u>\$ 270,760</u>
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The Charter Township of Alpena

Proprietary Fund Statement of Net Position

March 31, 2020

	<u>Water and Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 1,409,154
Restricted cash	3,953,313
Accounts receivable	113,505
Unbilled receivables	356,810
Special assessments receivable	162,071
Due from other funds	32,870
Prepaid expense	1,495
Total current assets	<u>6,029,218</u>
Noncurrent assets	
Capital assets not being depreciated	17,030
Capital assets being depreciated, net	6,765,815
Special assessments receivable	487,805
Total noncurrent assets	<u>7,270,650</u>
Total assets	<u>13,299,868</u>
Liabilities	
Current liabilities	
Accounts payable	162,750
Accrued payroll	4,176
Accrued interest payable	20,000
Other accrued liabilities	6,083
Unearned revenue	162,071
Due to other funds	5,885
Bonds payable, current portion	200,000
Other claims (Note 11)	3,953,313
Total current liabilities	<u>4,514,278</u>
Noncurrent liabilities	
Unearned revenue	487,805
Bonds payable, net of discount	988,712
Compensated absences	9,068
Total noncurrent liabilities	<u>1,485,585</u>
Total liabilities	<u>5,999,863</u>
Net Position	
Net investment in capital assets	5,594,133
Unrestricted	1,705,872
Total net position	<u>\$ 7,300,005</u>

The accompanying notes to financial statements are an integral part of this statement.

The Charter Township of Alpena

Proprietary Fund
Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended March 31, 2020

	<u>Water and Sewer Fund</u>
Operating Revenues	
Charges for services	\$ 2,346,848
Miscellaneous	<u>75,909</u>
Total operating revenues	<u>2,422,757</u>
Operating Expenses	
Salaries and wages	164,615
Employee benefits	51,218
Cost of water and sewer	1,805,061
Repairs and maintenance	298,117
Utilities	35,423
Supplies and durable goods	60,891
Occupancy	28,272
Professional services	212,008
Miscellaneous	6,089
Depreciation	<u>214,577</u>
Total operating expenses	<u>2,876,271</u>
Operating Income (Loss)	<u>(453,514)</u>
Nonoperating Revenues (Expenses)	
Special assessments	167,080
Interest income	18,074
Interest expense	<u>(51,748)</u>
Total nonoperating revenues (expenses)	<u>133,406</u>
Change in Net Position	(320,108)
Net Position , beginning of the year	<u>7,620,113</u>
Net Position , end of the year	<u><u>\$ 7,300,005</u></u>

The Charter Township of Alpena

Proprietary Fund Statement of Cash Flows

March 31, 2020

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 2,694,195
Payments to suppliers	(2,507,015)
Payments to employees	(161,405)
Internal activity - payments to other funds	(20,750)
Net cash provided (used) by operating activities	<u>5,025</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds from special assessments	167,080
Acquisition of capital assets	(24,065)
Principal paid on capital debt	(200,000)
Interest paid on capital debt	(53,200)
Net cash provided (used) by capital and related financing activities	<u>(110,185)</u>
Cash Flows from Investing Activities	
Interest received	18,074
Net cash provided (used) by investing activities	<u>18,074</u>
Net increase (decrease) in cash and cash equivalents	(87,086)
Cash and Cash Equivalents, beginning of the year	<u>5,449,553</u>
Cash and Cash Equivalents, end of the year	<u>\$ 5,362,467</u>

The Charter Township of Alpena

Proprietary Fund (continued) Statement of Cash Flows

March 31, 2020

Reconciliation of operating income to net cash provided (used in) operating activities:	
Operating income (loss)	\$ (453,514)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	214,577
Net changes in assets and liabilities:	
(Increase) decrease in accounts receivable	92,429
(Increase) decrease in unbilled receivables	179,009
(Increase) decrease in special assessments receivable	169,971
(Increase) decrease in prepaid expense	(1,495)
Increase (decrease) in accounts payable	(32,514)
Increase (decrease) in accrued payroll	861
Increase (decrease) in unearned revenue	(169,971)
Increase (decrease) in interfund activity	(20,750)
Increase (decrease) in other accrued liabilities	26,422
Net cash provided by (used in) operating activities	<u>\$ 5,025</u>

The Charter Township of Alpena

Fiduciary Fund
Statement of Fiduciary Assets and Liabilities

March 31, 2020

	<u>Tax Collection Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 19,556</u>
Liabilities	
Due to other governments	14,798
Accounts payable	<u>4,758</u>
	<u>\$ 19,556</u>

The Charter Township of Alpena

Notes to the Financial Statements

Note 1 – Summary of Significant Policies

The accounting policies of The Charter Township of Alpena, Alpena Township, 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.

A. Township Operations.

The Township is governed by an elected seven-member board. As required by generally accepted accounting principles, these financial statements present only the Township, as there are no other entities for which the Township is considered to be financially accountable.

B. Reporting Entity.

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Township are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization’s governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

In addition, the primary government is also financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board. The Township does not have any component units.

C. Basis of Presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue 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. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, restricted resources are applied first.

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

The Charter Township of Alpena

Notes to the Financial Statements

Note 1 – Summary of Significant Policies *(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. All other revenue items are considered to be measurable only when cash is received by the Township.

Government-Wide Financial Statements. The government-wide financial statements, (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Township. For the most part the effect of interfund activity has been removed from these statements. Governmental activities, normally 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 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 with operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenue.

Fund Financial Statements. The Township reports the following governmental funds:

General Fund. The fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds. These funds are used to account for specific governmental revenues requiring separate accounting for legal, regulatory or administrative purposes.

The only special revenue fund the Township has is the Public Safety Fund. The Public Safety Fund accounts for the activities related to the fire department.

Proprietary Fund. Proprietary funds distinguish operating revenues 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 enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The only proprietary fund of the Township is the Water and Sewer Fund. The Water and Sewer Fund accounts for the activities related to water distribution, the collection of wastewater and the billings for these activities.

Fiduciary Fund. The current tax collection fund is used to account for assets held as an agent for individuals, private organizations, and other governments. Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Charter Township of Alpena

Notes to the Financial Statements

Note 1 – Summary of Significant Policies *(continued)*

D. Basis of Accounting.

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual. Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual. The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied, provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

E. Financial Statement Amounts.

Cash and Cash Equivalents. Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables. Receivables have been recognized for all significant amounts due to the Township. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation and collectability.

The allowance for doubtful accounts at March 31, 2020 was \$62,142.

Special Assessment Receivables. The Township has three special assessment levies that are recorded as a special assessment receivable consisting of \$131,686 at March 31, 2020. These levies are collected on behalf of another governmental unit, consequently, there is a due to other government recorded for a total amount of \$171,500 at March 31, 2020, consisting of the \$131,686 receivable and the amount of collections that have yet to be distributed of \$39,814. These special assessments are not considered revenue to the Township and there is no debt pertaining to these special assessments.

The Township has another special assessment levy for which they have a special assessment receivable of \$82,981 at March 31, 2020. During the year ended March 31, 2020, the Township recognized \$38,072 of revenue pertaining to this special assessment. There is no debt pertaining to this special assessment.

The Charter Township of Alpena

Notes to the Financial Statements

Note 1 – Summary of Significant Policies *(continued)*

Interfund Receivables and Payables. On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as “due from/to other funds”. Interfund balances within governmental activities are eliminated on the government-wide statement of net position. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Capital Assets. Capital assets are defined by the Township as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and building improvements	15-50 years
Equipment	3-10 years
Water and sewer lines	50 years

Accrued Liabilities and Long-Term Obligations. All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgements, contractually required pension contributions and special termination benefits that are paid from the governmental funds are recognized as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

Compensated Absences. After one year of employment, Township employees are granted vacation leave in varying amounts based on length of service and other contractual provisions. Vacation pay is fully vested when earned. Salaried employees, other than firefighters, must use all vacation time in the year earned. Sick leave accumulates at various rates stipulated under certain contractual provisions. Firefighters may accumulate 2,400 hours of sick leave and are paid for their full amount of sick leave upon termination of employment. Other employees may accumulate 800 hours of sick leave and upon retirement employees are paid for one-half of their unused sick leave.

Net Position. The net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed for a particular purpose. Restrictions are imposed by external organizations, creditors, grantors or laws and regulations of other governments. 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.

The Township’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The Charter Township of Alpena

Notes to the Financial Statements

Note 1 – Summary of Significant Policies *(continued)*

Fund Balance. The Township has implemented GASB Statement 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” The statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe fund balance categories and the relative strength of the spending constraints placed on the purposes for which resources can be used.

- *Nonspendable fund balance* – amounts that are not in a spendable form (such as prepaid expenditures) or are required to be maintained intact;
- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- *Committed fund balance* – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint;
- *Assigned fund balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- *Unassigned fund balance* – amounts that are available for any purpose; positive amounts are reported on in the General Fund.

The Township has not established a policy for its use of unrestricted fund balance amounts. Therefore, in accordance with GASB Statement 54, committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Property Tax Revenue. Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are due on February 28 of the following year and are considered delinquent on March 1, at which time penalties and interest are assessed.

The Township’s 2019 tax is levied and collectible on December 1, 2019 and is recognized as revenue in the year ended March 31, 2020 when the proceeds of the levy are budgeted and available for the financing of operations.

The Township annually sells its delinquent real property taxes to the County of Alpena (the “County”), which then becomes responsible for collecting the taxes and taking any uncollected tax parcels through the tax reversion process. The County purchases these taxes at 100 percent of face value, and in return, the County is allowed to retain all interest and penalties it collects. The estimated present value of future delinquent collections to the County is less than the face value that has been received because of the time value of money; however, the net present value to the County is greater than this amount because of the statutory provision that allows the County to retain all penalties and interest. During the current year, the Township received \$26,890 from this sale. At the end of the tax reversion process (approximately three years), the County charges the Township back for any uncollected taxes. Historically, this amount has not been significant.

The Charter Township of Alpena

Notes to the Financial Statements

Note 1 – Summary of Significant Policies *(continued)*

Use of Estimates. The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Reclassifications. Certain items reported in the March 31, 2019, financial statements may have been reclassified to conform to the presentation for the current year.

Note 2 – Stewardship, Compliance and Accountability

Budgetary Information. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are prepared and adopted for all required governmental fund types.

Budgets and Budgetary Accounting. The Charter Township of Alpena normally follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to December 1st, the Township Supervisor must submit a proposed budget to the Michigan Department of Treasury for the purpose of revenue sharing. The Township Supervisor submits a proposed operating budget for the fiscal year commencing April 1st, prior to March 31st. This operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted at the governmental center to obtain taxpayer comments.
- Prior to April 1, the budget is legally enacted through passage of an ordinance.
- All budget appropriations lapse at year-end. Budgetary amounts reported herein are as originally adopted, and as amended by the Township Board throughout the operating year.

Excess of Expenditures Over Appropriations in Budgeted Funds. The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the year, the Township incurred expenditures in certain budgeted funds, which were in excess of the functional amounts appropriated. Budgetary comparison schedules and violations are noted in the relevant fund financial statements as follows:

The Charter Township of Alpena

Notes to the Financial Statements

Note 2 – Stewardship, Compliance and Accountability *(continued)*

Budget Item	Final Appropriation	Expended	Variance
General Fund			
General government			
Board of trustees	\$ 60,700	\$ 97,960	\$ (37,260)
Public safety			
Planning and zoning	42,543	52,182	(9,639)
Other financing sources (uses)			
Transfers out	238,008	347,918	(109,910)
Public Safety Fund			
Public safety			
Fire protection	1,129,974	1,194,862	(64,888)

Note 3 – Deposits and Investments

At year-end, the Township’s deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Activities	Total Primary Government
Cash and cash equivalents	\$ 1,398,567	\$ 1,409,154	\$ 19,556	\$ 2,827,277
Restricted cash	-	3,953,313	-	3,953,313
Total	<u>\$ 1,398,567</u>	<u>\$ 5,362,467</u>	<u>\$ 19,556</u>	<u>\$ 6,780,590</u>

Restricted Cash. At March 31, 2020, a total of \$3,953,313 has been placed into an escrow savings account at a local financial institution by a court order. The account assures that the Township will have sufficient funds for the potential litigation liability pertaining to the water and sewer dispute with the City of Alpena. The Charter Township of Alpena and the City of Alpena both must approve any disbursements from the account. The Township has the sole responsibility for contributing funds into this account.

Fair Value Measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which required an entity to maximize the use of observable and minimize the use of unobservable inputs.

The Charter Township of Alpena

Notes to the Financial Statements

Note 3 – Deposits and Investments *(continued)*

There are three (3) levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others.

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

The Township maintains cash and cash equivalents which are stated at fair value. The Township does not have any investment balances.

Interest Rate Risk. In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit Risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of March 31, 2020, the Township did not have any investments with ratings below prime.

Concentration of Credit Risk. The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2020, \$5,675,335 of the Township's bank balance of \$6,925,416 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

The Charter Township of Alpena

Notes to the Financial Statements

Note 4 – Capital Assets

Capital assets activity of the Township’s governmental activities for the current year are as follows:

	<u>Balance</u> 04/01/2019	<u>Additions</u>	<u>Adjustments &</u> <u>Retirements</u>	<u>Balance</u> 03/31/2020
Governmental activities:				
Capital assets, not depreciated				
Land	\$ 2,002,111	\$ -	\$ -	\$ 2,002,111
	<u>2,002,111</u>	<u>-</u>	<u>-</u>	<u>2,002,111</u>
Capital assets being depreciated				
Buildings and improvements	1,441,472	-	-	1,441,472
Equipment	1,136,673	309,052	(13,500)	1,432,225
	<u>2,578,145</u>	<u>309,052</u>	<u>(13,500)</u>	<u>2,873,697</u>
Less accumulated depreciation				
Buildings and improvements	(1,398,061)	(3,778)	-	(1,401,839)
Equipment	(792,764)	(111,801)	13,500	(891,065)
	<u>(2,190,825)</u>	<u>(115,579)</u>	<u>13,500</u>	<u>(2,292,904)</u>
Governmental activities capital assets, net	<u>\$ 2,389,431</u>	<u>\$ 193,473</u>	<u>\$ -</u>	<u>\$ 2,582,904</u>

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

Governmental activities:	
General government	\$ 18,463
Public safety	97,116
	<u>\$ 115,579</u>

The Charter Township of Alpena

Notes to the Financial Statements

Note 4 – Capital Assets *(continued)*

	Balance 04/01/2019	Additions	Adjustments & Retirements	Balance 03/31/2020
Business-type activities:				
Capital assets, not depreciated				
Land	\$ 17,030	\$ -	\$ -	\$ 17,030
	17,030	-	-	17,030
Capital assets, being depreciated				
Plant, property, & equipment	12,774,309	24,065	-	12,798,374
	12,774,309	24,065	-	12,798,374
Less accumulated depreciation				
Plant, property, & equipment	(5,817,982)	(214,577)	-	(6,032,559)
	(5,817,982)	(214,577)	-	(6,032,559)
Business-type activities capital, net	\$ 6,973,357	\$ (190,512)	\$ -	\$ 6,782,845

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

Business-type activities:

Public works	\$ 214,577
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Note 5 – Property Taxes

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the Township tax rolls. For the current year, the taxable value for properties located within the Township was \$343,640,221 on which ad valorem taxes levied for the Township general operating purposes was 1.0136 mills. The Township also has special purpose tax levies. The tax rates for these levies were 1.5000 mills for fire protection and .6500 mills for apparatus and equipment for fire protection.

The Charter Township of Alpena

Notes to the Financial Statements

Note 6 – Pension Plan

The Township provides pension benefits to its elected officials and other qualified employees through the Township's Governmental Non-ERISA Retirement Plan administered by John Hancock and a Money Purchase Retirement Plan administered by Brighthouse Financial. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All elected officials and full-time union employees are eligible to participate in the Governmental Non-ERISA Retirement Plan. Other employees are eligible to participate in the Money Purchase Retirement Plan after one year of service.

The Township's contributions for each employee are fully vested immediately for both plans. Employees enrolled in the Governmental Non-ERISA Retirement Plan have mandatory after-tax contributions of .5% of compensation and may make voluntary contributions up to 25% of compensation. As established by board resolution, the Township contributes 9.5% of employees' compensation to the Governmental Non-ERISA Retirement Plan and 6.5% (not to exceed 25%) of employee compensation to the Money Purchase Retirement Plan. In accordance with plan requirements, the Township contributed \$78,420 and \$5,225 to the Governmental Non-ERISA Retirement Plan and Money Purchase Retirement Plan during the current year, respectively.

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The Charter Township of Alpena

Notes to the Financial Statements

Note 7 – Long-Term Debt

Long-term debt of the Township’s governmental and business-type activities for the current year were as follows:

	<u>Balances,</u> <u>04/01/2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances,</u> <u>03/31/2020</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Installment purchase agreement Dated 08/30/2013 Amount of issue: \$342,000 Interest rate: 2.390% Principal maturity range \$30,681 - \$37,948	\$ 180,827	\$ -	\$ (34,497)	\$ 146,330	\$ 36,162
Capital lease - Konica-Minolta Bizhub Copier Dated 03/20/2017 Amount of issue: \$6,950 Interest rate: 11.587% Principal maturity range \$1,090 - \$1,727	4,638	-	(1,372)	3,266	1,539
Installment purchase agreement Dated 06/11/2019 Amount of issue: \$297,702 Interest rate: 3.500% Principal maturity range \$148,351 - \$149,351	-	297,702	(148,351)	149,351	149,351
	185,465	297,702	(184,220)	298,947	187,052
Compensated absences	65,950	-	(9,318)	56,632	56,632
Total governmental activities	<u>\$ 251,415</u>	<u>\$ 297,702</u>	<u>\$ (193,538)</u>	<u>\$ 355,579</u>	<u>\$243,684</u>

The Charter Township of Alpena

Notes to the Financial Statements

Note 7 – Long-Term Debt (continued)

	Balances, 04/01/2019	Additions	Deductions	Balances, 03/31/2020	Due Within One Year
Business-type activities:					
Alpena Township Water Project Special Assessment Bonds Amount of issue: \$3,915,000 Maturing through 2025 Interest rate ranges: 3.25%-4.25% Principal maturity range \$115,000 - \$200,000	\$ 1,400,000	\$ -	\$ (200,000)	\$ 1,200,000	\$ 200,000
Compensated absences	6,719	2,349	-	9,068	9,068
Total business-type activities	<u>\$ 1,406,719</u>	<u>\$ 2,349</u>	<u>\$ (200,000)</u>	<u>\$ 1,209,068</u>	<u>\$ 209,068</u>

Bond discount. The bond has a discount outstanding of \$11,288 as of March 31, 2020. This discount will be amortized on a straight-line basis over the life of the bonds.

Special assessment bonds. The special assessment debt was issued to finance water improvements in the US South Water Project Special Assessment District within the Township of Alpena. The debt will be repaid wholly from special assessments levied against benefited property owners. This activity is recorded within the Water and Sewer Fund. As additional security for the debt, the Township has pledged its limited tax full faith and credit for the payment of principal and interest thereon. During the year, special assessment revenue was \$167,080 compared to the debt service requirements of \$252,000. Any delinquent special assessments are purchased by the County of Alpena per the agreement between the Township and the County, as previously disclosed in Note 1. Consequently, delinquent special assessment receivables were \$0 as of March 31, 2020.

The annual principal and interest requirements are as follows:

Year Ended March 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 187,052	\$ 7,231	\$ 200,000	\$ 40,667
2022	38,753	1,939	200,000	33,000
2023	37,911	944	200,000	25,283
2024	35,231	869	200,000	17,250
2025	-	-	200,000	9,100
2025 - thereafter	-	-	200,000	700
	<u>\$ 298,947</u>	<u>\$ 10,983</u>	<u>\$ 1,200,000</u>	<u>\$ 126,000</u>

The Charter Township of Alpena

Notes to the Financial Statements

Note 8 – Tax Abatement

The Township may enter into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within the Township. Each agreement would be negotiated under a state law, which would allow local units to abate property taxes for a variety of economic development purposes. The abatements may be granted to local businesses located within the Township or promising to relocate within the Township. Depending on the statute referenced for a particular abatement, the Township may grant abatements of up to 50% of annual property taxes through a direct reduction of the entity's property tax bill or not tax the entity on improvements to a property for a period of time, not to exceed twelve years. Depending on the terms of the agreement and state law, abated taxes may be subject to recapture upon default of the entity. The Township has not entered into any tax abatement agreements as of March 31, 2020. The Township is not subject to any tax abatement agreements entered into by other governmental entities.

Note 9 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (worker's compensation). The Township has purchased commercial insurance for property loss, torts, and worker's compensation claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Interfund Receivables, Payables and Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as inter-fund transfers. For the purpose of the statement of activities, all inter-fund transfers between individual governmental and enterprise funds have been eliminated. The inter-fund transfer from the General Fund to the Public Safety Fund was a reallocation of resources to subsidize the fund.

	Transfers In	Transfers Out
	<u> </u>	<u> </u>
Public Safety Fund	\$ 347,918	
General Fund		\$ 347,918

The Charter Township of Alpena

Notes to the Financial Statements

Note 10 – Interfund Receivables, Payables and Transfers *(continued)*

The amount of interfund receivables and payables at March 31, 2020, is as follows:

Due to General Fund from	
Public Safety Fund	\$ 5,657
Water and Sewer Fund	5,885
	<u>\$ 11,542</u>
Due to Public Safety Fund from	
General Fund	\$ 313
	<u>313</u>
Due to Water and Sewer Fund from	
General Fund	\$ 7,870
Public Safety Fund	25,000
	<u>\$ 32,870</u>

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

Note 11 – Contingencies and Claims

The Charter Township of Alpena has been involved in litigation with the City of Alpena regarding protested sewage and water rates charged by the City to the Township from June 2014 through the date of issuance of these financial statements. The Township has recorded a liability of \$3,953,313 (through March 31, 2020), which has been recorded as “Other claims” on the face of the financial statements in the Water and Sewer Fund. In addition, the City of Alpena has been seeking late charges of approximately \$4,262,172. The Township had not historically recognized these late charges as a liability. During the litigation, the Court ordered a joint escrow account be established and the disputed difference in rates be deposited into the account. The Township believes the liability booked adequately covers their potential loss contingency, however the estimated range for the possible loss is unknown at this time.

A bench trial commenced February 27, 2018. Settlement negotiations occurred, and the Township’s position is that a settlement was reached. However, the City disagreed. The Circuit Court thereafter entered a judgment. Both the Township and the City disagreed with the details of the judgment, and both parties filed claims of appeal with the Michigan Court of Appeals.

On March 17, 2020, the Michigan Court of Appeals ruled that the parties had not reached a settlement, even on the rates through 2018 that the Circuit Court had previously issued, and the Court of Appeals sent the case back to the Circuit Court to continue the trial. Subsequent to the ruling, the Township requested reconsideration, which was denied on July 9, 2020. The Township has appealed the case to the Michigan Supreme Court and is currently waiting to see if the Michigan Supreme Court will accept the case.

The Charter Township of Alpena

Notes to the Financial Statements

Note 12 – Governmental Fund Balances

The detail of the various components of governmental fund balances is as follows:

	General Fund	Public Safety Fund	Total
Fund balances:			
Nonspendable:			
Prepays	\$ 10,459	\$ 7,543	\$ 18,002
Restricted for:			
Equipment	-	240,188	240,188
	-	240,188	240,188
Committed for:			
Public safety	-	388,767	388,767
	-	388,767	388,767
Unassigned	881,892	-	881,892
Total governmental funds	<u>\$ 892,351</u>	<u>\$ 636,498</u>	<u>\$ 1,528,849</u>

Note 13 – Subsequent Events

Management has evaluated subsequent event through August 20, 2020 the date on which the final statements were made available to be issued.

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the Township's operational and financial performance will depend on various developments, including the duration of the spread of the outbreak and its impact on customers, employees and vendors, all of which cannot be reasonably predicted at this time. Management currently does not know the impact COVID-19 will have on the Township's financial position, change in financial position, and the timing and amounts of cash flows. The related financial consequences and duration are highly uncertain.

In August 2020, the Township entered a one-year contract for sewage and water services for a total contract amount of \$642,444.

REQUIRED SUPPLEMENTAL INFORMATION

The Charter Township of Alpena

Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund - Budget and Actual

For the Year Ended March 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues				
Property taxes	\$ 331,216	\$ 362,760	\$ 351,335	\$ (11,425)
Other taxes	16,000	17,000	16,818	(182)
Special assessment income	-	-	24,850	24,850
Licenses and permits	110,110	171,715	125,863	(45,852)
State revenue	765,300	829,348	879,996	50,648
Charges for services	171,023	180,950	257,699	76,749
Investment income	2,500	4,293	5,305	1,012
North Pointe Shores assessment	38,000	38,000	38,072	72
Proceeds from loss recoveries	20,000	12,000	-	(12,000)
Other revenue	1,700	2,812	2,437	(375)
Total revenues	1,455,849	1,618,878	1,702,375	83,497
Expenditures				
General government				
Board of trustees	53,972	60,700	97,960	(37,260)
Supervisor	101,126	92,464	90,936	1,528
Treasurer	160,628	140,299	137,662	2,637
Clerk	99,321	135,910	132,762	3,148
Assessor	201,136	218,437	211,314	7,123
Elections	28,610	36,335	35,928	407
Board of review	7,865	2,202	2,159	43
Buildings and grounds	78,500	110,185	84,468	25,717
Other	50,000	66,500	1,685	64,815
Total general government	781,158	863,032	794,874	68,158
Public safety				
Liquor law enforcement	31,663	13,247	8,942	4,305
Fire protection	-	264	-	264
Building inspection	83,265	122,459	115,743	6,716
Other inspections	38,620	40,000	39,578	422
Planning and zoning	50,750	42,543	52,182	(9,639)
Total public safety	204,298	218,513	216,445	2,068

The Charter Township of Alpena

Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund - Budget and Actual

For the Year Ended March 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures (continued)				
Public works				
Highway and streets	170,500	301,264	301,264	-
Social services	47,100	47,100	41,366	5,734
Recreation and culture				
Parks and recreation development	23,937	16,000	15,588	412
Total expenditures	1,226,993	1,445,909	1,369,537	76,372
Other Financing Sources (Uses)				
Transfers in	-	20,750	-	(20,750)
Transfers out	(236,606)	(238,008)	(347,918)	(109,910)
Total other financing sources (uses)	(236,606)	(217,258)	(347,918)	(130,660)
Net Change in Fund Balances	(7,750)	(44,289)	(15,080)	29,209
Fund Balance , beginning of the year,	907,431	907,431	907,431	-
Fund Balance , end of year	\$ 899,681	\$ 863,142	\$ 892,351	\$ 29,209

The Charter Township of Alpena

Statement of Revenues, Expenditures and Changes in Fund Balances
Public Safety Fund - Budget and Actual

For the Year Ended March 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 331,153	\$ 744,530	\$ 737,250	\$ (7,280)
Other taxes	2,000	5,000	-	(5,000)
Charges for services	192,500	296,727	350,985	54,258
Investment income	-	4,789	4,786	(3)
Other revenue	40,500	150	150	-
Total revenues	<u>566,153</u>	<u>1,051,196</u>	<u>1,093,171</u>	<u>41,975</u>
Expenditures				
Public safety				
Fire protection	765,759	1,129,974	1,194,862	(64,888)
Debt service	39,000	40,752	38,064	2,688
Total expenditures	<u>804,759</u>	<u>1,170,726</u>	<u>1,232,926</u>	<u>(62,200)</u>
Other Financing Sources (Uses)				
Transfers in	238,606	238,606	347,918	109,312
Net Change in Fund Balances	-	119,076	208,163	89,087
Fund Balance, beginning of the year	<u>428,335</u>	<u>428,335</u>	<u>428,335</u>	<u>-</u>
Fund Balance, end of the year	<u>\$ 428,335</u>	<u>\$ 547,411</u>	<u>\$ 636,498</u>	<u>\$ 89,087</u>

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Trustees and Management
The Charter Township of Alpena
Alpena, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Charter Township of Alpena, Michigan (the "Township") for the year ended March 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in a letter dated May 29, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Township's financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the potential claim regarding litigation in the water and sewer fund.
- Management's estimate of the allowance for doubtful accounts.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure of contingencies and claims in Note 11 to the financial statements which describes the water and sewer litigation between the Township and the City.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Adjustments, some of which were material to the financial statements, that were identified during the audit have been approved by management and recorded in the audited financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 20, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. We have issued a separate letter identified as Matters for Management's Consideration identifying our findings.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis and Budgetary Comparison Schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Recent Pronouncements.

The Governmental Accounting Standards Board and Michigan Department of Treasury, in its continuing process of updating the accounting principles that all governments must adhere to, has issued the following recent pronouncements that will have an impact on the way the Township maintains its financial records:

Upcoming GASB Statements that will impact The Charter Township of Alpena:

- A. GASB Statement No. 83 – Certain Asset Retirement Obligations.** This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of their useful lives.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, postponed the implementation date for GASB Statement No. 83 to periods beginning after June 15, 2019 (the Township's March 31, 2021 fiscal year).

- B. GASB Statement No. 84 – Fiduciary Activities.** This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, postponed the implementation date for GASB Statement No. 84 to periods beginning after December 15, 2019 (the Township's March 31, 2021 fiscal year).

- C. GASB Statement No. 87 – Leases.** The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases 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 an underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government leasing activities.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, postponed the implementation date for GASB Statement No. 87 to periods beginning after June 15, 2021 (the Township's March 31, 2023 fiscal year).

- D. GASB Statement No. 88 – Certain Disclosures Related to Debt.** The objective of this statement is to improve the information related to debt that is required to be disclosed in the notes to the financial statements. This statement also clarifies which liabilities should be included in the information that is disclosed related to debt.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, postponed the implementation date for GASB Statement No. 88 to periods beginning after June 15, 2019 (the Township's March 31, 2021 fiscal year).

- E. GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period.** This statement establishes requirements for interest costs incurred before the end of a construction period. The statement improves the relevance and comparability of information related to capital assets and the cost of borrowing for a reporting period. In addition, this statement simplifies the accounting for interest cost incurred before the end of a construction period. Under this statement, the cost of interest that is incurred prior to the end of the construction period will be an expense in the period in which the cost is incurred for financial statements prepared under the economic resources measurement focus.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, postponed the implementation date for GASB Statement No. 89 to periods beginning after December 15, 2020 (the Township's March 31, 2022 fiscal year).

- F. GASB Statement No. 91 – Conduit Debt Obligations.** This statement defines “conduit debt obligations”, where a government issues debt whose proceeds are received and repaid by a third-party obligor without the issuer being primarily liable. This statement establishes requirements for issuers to disclose conduit debt obligations, but not to record a liability unless it is more likely than not that a commitment made by the issuer will require it to support one or more debt payments for conduit debt obligation.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, postponed the implementation date for GASB Statement No. 91 to periods beginning after December 15, 2021 (the Township's March 31, 2023 fiscal year).

Restriction on Use

This information is intended solely for the information and use of the Board of Trustees and Management of the Township, and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to thank the staff of the Township for their assistance during the audit.

We appreciate the opportunity to serve the Township. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Very truly yours,

Straley Lamp & Kraenzlein P.C.

August 20, 2020