

**CHARTER TOWNSHIP OF OSCODA  
SPECIAL BOARD MEETING**

**AGENDA & NOTICE**

**May 18, 2021 – 6:00 P.M.**

**Watch Virtual:**

<https://us02web.zoom.us/j/85419352516>

**Call In: (929)205-6099 Meeting ID: 854 1935 2516**

Posted Date: May 17, 2021

Press Notification Date: May 17, 2021

Posted By: Tammy Kline

**CALL TO ORDER**

**ROLL CALL**

**AGENDA ADDITIONS / CHANGES:**

**PUBLIC COMMENTS:**

**NEW BUSINESS:** 1. 2020 Audit Presentation

**PUBLIC COMMENTS:**

**ADJOURNMENT**

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Jaimie McGuire

---

Joshua R. Sutton



***Stephenson & Company, P.C.***  
**Certified Public Accountants & Consultants**

Alan J. Stephenson, CPA  
Donald W. Brannan, CPA  
Kyle E. Troyer, CPA  
Robert J. Morand, CPA  
Brenden A. Stephenson, CPA/PFS, CFP®  
Cynthia R. Scott, CPA, CFE

CHARTER TOWNSHIP OF OSCODA  
IOSCO COUNTY, MICHIGAN

AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2020

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April 2, 2021

Independent Auditors' Report

Members of the Township Board  
Charter Township of Oscoda  
Iosco County, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Oscoda, Iosco County, Michigan, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the index.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Oscoda, Iosco County, Michigan, as of December 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.



# Stephenson & Company, P.C.

Members of the Township Board  
Charter Township of Oscoda  
April 2, 2021  
Page 2

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required pension schedules, 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 operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Oscoda's basic financial statements. The combining nonmajor and Oscoda-Wurtsmith Airport Local Development Finance Authority - component unit fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2021 included in the Single Audit Report issued under a separate cover, on our consideration of the Charter Township of Oscoda's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter Township of Oscoda's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Township of Oscoda's internal control over financial reporting and compliance.

*Stephenson & Company, P.C.*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of the Charter Township of Oscoda's (the Township) financial performance provides an overview of the Township's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. The discussion focuses on the Township's primary government and, unless otherwise noted, the component unit reported separately from the primary government is not included.

### **Financial Highlights**

- The Township's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$30,972,289.
- The Township's total net position increased by \$1,654,186.
- The Township's governmental funds reported a combined ending fund balance of \$6,240,934 this year, a decrease of \$102,533. Of this amount, \$2,461,868 is available for spending (*unassigned fund balance*) on behalf of its citizens. The Township General Fund 2020 year end *fund balance* is \$2,531,324.

### **Overview of the Financial Statements**

The financial statements are organized so the reader can understand the Township as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The Township's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

### **Government-wide Financial Statements**

The *statement of net position* and the *statement of activities* display information about the Township as a whole. These statements include the financial activities of the primary government and its component unit except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for services.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.



Program revenues include charges paid by the recipient for the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township with certain limited exceptions. The comparisons of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

With this report, all capital assets and infrastructure are listed for the Charter Township of Oscoda. These assets are comprised of buildings, furniture and fixtures, radios/electronic equipment, computer systems, vehicles, land, and infrastructure (water and sewer lines) owned by the Township. These assets total over \$35 million. Township management and staff performed a department-by-department inventory and evaluation of assets and categorized a depreciation schedule for assets not fully depreciated.

In addition, within this report, 2021 property taxes that will be received in the future are listed as *taxes receivable* and as *deferred inflow of resources*.

The Township's component unit is the Oscoda-Wurtsmith Airport Local Development Finance Authority. This component unit is described in the *Notes to the Financial Statements*. The component unit is legally separate from the Township and may buy, sell, lease, and mortgage property in its own name, and can sue or be sued in its own name.

The Oscoda-Wurtsmith Airport Local Development Finance Authority's ending net position totaled \$349,840.

### **Fund Financial Statements**

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: *Governmental, Proprietary, and Fiduciary*.

#### ***Governmental Funds:***

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

- General Fund - This fund accounts for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenue.
- Property Operation and Maintenance Fund - This fund represents the primary maintenance budget for Township owned or leased facilities on the former Wurtsmith Air Force Base. Revenues include the sales, leases and land contracts of base property as well as other miscellaneous income including grants as they might become available.
- Police Fund – This fund accounts for the collection of a separate tax millage that is used to fund police operations.
- Fire Equipment Fund – This fund accounts for the collection of a separate tax millage that is used to fund fire equipment purchases.

#### ***Proprietary Funds:***

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

The Township's enterprise funds may be used to account for any activity for which a fee is charged to external users (citizens) for goods and services. The following are the Township's major enterprise funds:



- Sewage Disposal System Fund - This fund accounts for the revenues and expenditures required to operate the Township's sanitary sewer system including the lagoon facility at the former Wurtsmith Air Force Base and all related appurtenances such as mains and pump stations. Revenues required to operate the system are derived primarily from user fees.
- Water Fund - This fund is maintained to account for operations of the public water system. Revenue and expenditure line items reflect maintenance and operation of the water system in Oscoda as well as the Township's financial participation in the Huron Shore Regional Utility Authority. Like the Sewer Fund, revenues are derived primarily from user fees.
- Old Orchard Park Fund - This fund was created when the Township acquired leasehold interest in the Old Orchard Park property from Consumers Energy and began operating the campground. The fund normally generates a net positive cash flow which is available to support governmental functions through inter budgetary transfers.

#### ***Fiduciary Funds:***

Fiduciary fund reporting focuses on net position and changes in net position. The Township's agency funds account for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided on the Township *government-wide* and *fund* financial statements.

Oscoda-Wurtsmith Airport Local Development Finance Authority related financial data is included throughout the notes to financial statements.

#### **Other Information:**

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules.

### **Government-Wide Financial Analysis**

#### **Summary of Net Position:**

The following summarizes the net position of the Charter Township of Oscoda at December 31, 2020 and 2019:

#### **Net Position Summary**

|   | <b><u>Governmental<br/>Activities</u></b> | <b><u>Business-Type<br/>Activities</u></b> | <b><u>December 31, 2020</u></b> | <b><u>December 31, 2019</u></b> |
|---|---|--|---------------------------------|---------------------------------|
| Current Assets                            | \$ 8,688,585                              | \$ 3,172,130                               | \$ 11,860,715                   | \$ 12,197,975                   |
| Restricted Assets                         | 25,566                                    | 48,683                                     | 74,249                          | 179,183                         |
| Capital Assets – net                      | 11,707,013                                | 10,232,115                                 | 21,939,128                      | 19,916,018                      |
| Other Noncurrent Assets                   | <u>107,008</u>                            | <u>4,217,932</u>                           | <u>4,324,940</u>                | <u>4,293,733</u>                |
| <b>Total Assets</b>                       | <b><u>20,528,172</u></b>                  | <b><u>17,670,860</u></b>                   | <b><u>38,199,032</u></b>        | <b><u>36,586,909</u></b>        |
| <b>Deferred Outflows of<br/>Resources</b> | <b><u>270,132</u></b>                     | <b><u>9,089</u></b>                        | <b><u>279,221</u></b>           | <b><u>73,350</u></b>            |

## Summary of Net Position: (Continued)

|  | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
|--|------------------------------------|-------------------------------------|--------------------------|--------------------------|
| Current Liabilities                      | \$ 251,089                         | \$ 363,999                          | \$ 615,088               | \$ 492,800               |
| Long-Term Liabilities                    | <u>1,975,553</u>                   | <u>2,556,600</u>                    | <u>4,532,153</u>         | <u>4,636,327</u>         |
| <b>Total Liabilities</b>                 | <u>2,226,642</u>                   | <u>2,920,599</u>                    | <u>5,147,241</u>         | <u>5,129,127</u>         |
| <b>Deferred Inflows of<br/>Resources</b> | <u>2,358,723</u>                   | <u>0</u>                            | <u>2,358,723</u>         | <u>2,213,029</u>         |
| <b>Net Position (Restated)</b>           |                                    |                                     |                          |                          |
| Net Investment in                        |                                    |                                     |                          |                          |
| Capital Assets                           | 11,707,013                         | 7,701,021                           | 19,408,034               | 17,099,347               |
| Restricted                               | 691,613                            | 48,683                              | 740,296                  | 1,116,585                |
| Unrestricted                             | <u>3,814,313</u>                   | <u>7,009,646</u>                    | <u>10,823,959</u>        | <u>11,102,171</u>        |
| <b>Total Net Position</b>                | <u>\$ 16,212,939</u>               | <u>\$ 14,759,350</u>                | <u>\$ 30,972,289</u>     | <u>\$ 29,318,103</u>     |

## Summary of Changes in Net Position:

Generally speaking, the Township's net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. The Charter Township of Oscoda, through its governing body, i.e., Township Board of Trustees, has taken a sensible approach regarding capital asset acquisition and amortization of the incurred debt. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws/regulations of other governments.

The Township Board of Trustees has prudently set aside funds to offset potential personnel and/or administrative liabilities. It is the Township's practice, in general, to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
|---|------------------------------------|-------------------------------------|--------------------------|--------------------------|
| <b>Program Revenues:</b>                  |                                    |                                     |                          |                          |
| Charges for Services                      | \$ 905,360                         | \$ 2,778,440                        | \$ 3,683,800             | \$ 3,501,581             |
| Operating Grants and Contributions        | 209,126                            | 752,030                             | 961,156                  | 371,513                  |
| Capital Grants and Contributions          | <u>18,900</u>                      | <u>1,000,000</u>                    | <u>1,018,900</u>         | <u>88,078</u>            |
| <b>Total Program Revenues</b>             | <u>1,133,386</u>                   | <u>4,530,470</u>                    | <u>5,663,856</u>         | <u>3,961,172</u>         |
| <b>General Revenues:</b>                  |                                    |                                     |                          |                          |
| Property Taxes                            | 2,150,870                          | 0                                   | 2,150,870                | 2,074,325                |
| State Revenue Sharing                     | 639,209                            | 0                                   | 639,209                  | 642,003                  |
| Rent Income                               | 398,664                            | 30,790                              | 429,454                  | 426,039                  |
| Gain (Loss) on Disposal of Capital Assets | 21,662                             | 0                                   | 21,662                   | (263,000)                |
| Investment Earnings and                   |                                    |                                     |                          |                          |
| Miscellaneous                             | <u>74,399</u>                      | <u>53,222</u>                       | <u>127,621</u>           | <u>194,287</u>           |
| <b>Total General Revenues</b>             | <u>3,284,804</u>                   | <u>84,012</u>                       | <u>3,368,816</u>         | <u>3,073,654</u>         |
| <b>Total Revenues</b>                     | <u>4,418,190</u>                   | <u>4,614,482</u>                    | <u>9,032,672</u>         | <u>7,034,826</u>         |
| <b>Program Expenses:</b>                  |                                    |                                     |                          |                          |
| General Government                        | 1,113,770                          | 0                                   | 1,113,770                | 1,086,780                |
| Public Safety                             | 1,790,440                          | 0                                   | 1,790,440                | 1,796,224                |
| Public Works                              | 159,850                            | 0                                   | 159,850                  | 180,423                  |
| Community and Economic Development        | 805,802                            | 0                                   | 805,802                  | 697,446                  |
| Recreation and Cultural                   | <u>457,418</u>                     | <u>0</u>                            | <u>457,418</u>           | <u>518,634</u>           |

## Summary of Changes in Net Position: (Continued)

|  | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|------------------------------------|-------------------------------------|--------------------------|--------------------------|
| <b>Program Expenses (Continued):</b>   |                                    |                                     |                          |                          |
| Sewage Disposal System                 | \$ 0                               | \$ 760,136                          | \$ 760,136               | \$ 749,206               |
| Water Services                         | 0                                  | 1,653,777                           | 1,653,777                | 1,017,644                |
| Old Orchard Park                       | 0                                  | 637,293                             | 637,293                  | 632,838                  |
| Community Center                       | 0                                  | 0                                   | 0                        | 78,946                   |
| <b>Total Program Expenses</b>          | <u>4,327,280</u>                   | <u>3,051,206</u>                    | <u>7,378,486</u>         | <u>6,758,141</u>         |
| Increase (Decrease) in Net Position    |                                    |                                     |                          |                          |
| Before Transfers and Special Items     | 90,910                             | 1,563,276                           | 1,654,186                | 276,685                  |
| Transfers                              | 279,015                            | (279,015)                           | 0                        | 0                        |
| Special Item – Artisan Hall Impairment | 0                                  | 0                                   | 0                        | (117,484)                |
| Special Item – DDA Dissolution         | 0                                  | 0                                   | 0                        | 717,784                  |
| Change in Net Position                 | 369,925                            | 1,284,261                           | 1,654,186                | 876,985                  |
| Beginning Net Position (Restated)      | <u>15,843,014</u>                  | <u>13,475,089</u>                   | <u>29,318,103</u>        | <u>28,441,118</u>        |
| Ending Net Position (Restated)         | <u>\$ 16,212,939</u>               | <u>\$ 14,759,350</u>                | <u>\$ 30,972,289</u>     | <u>\$ 29,318,103</u>     |

### Governmental Activities

The *Statement of Activities* illustrates, by department, the expense incurred and revenue received.

Total governmental activities reveal revenues of \$1,133,386 from *Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions*. The *Charges for Services* are fees mainly associated with the collection of property taxes, fine and forfeitures, and licenses & permits. While revenue collected is substantial, operating expenses totaled \$4,327,280 for these same activities. The largest expenses were incurred by Public Safety (\$1,790,440), General Government (\$1,113,770), and Community and Economic Development (\$805,802).

### Business-Type Activities

The Township's *Business-Type activities* include the Sewage Disposal System, Water Services, and the Old Orchard Park.

### Financial Analysis of Township Funds

As noted earlier in this report, the Township uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of fund types will reveal the strengths and weaknesses of its daily operations.

### Significant Fund Activity

This year's Township audit shows 16 funds. These funds are maintained by the Township Clerk as separate units in the General Ledger.

### Governmental Funds

The General Fund balance increased by \$242,039. Ongoing activity was generally consistent with historical markers, although the dissolution of the Downtown Development Authority and the sale of the Community Center and subsequent closing of that fund resulted in significant deviations from the norm in the prior year. Current year operating transfers in and capital outlay were significantly less as a direct result of those situations.

The Property Operation and Maintenance Fund fund balance decreased by 167,073. Revenue decreased by \$62,436 as a result of decreased interest rates and decreased volumes of renters. Additionally, capital outlay increased by \$160,700 while operating transfers out decreased by \$91,864.

The Police Fund fund balance increased by \$52,347. Current year activity was largely consistent with the prior year, although the operating transfer in from the General Fund, which funds a significant portion of activity in the fund, was \$128,005 lower than in the prior year.

The Fire Equipment Fund fund balance decreased by \$104,320. Revenues, primarily derived from a tax millage and charges to other townships, were outpaced by capital outlay, which was almost entirely comprised of the cost of a new fire truck.

The Other Governmental Funds fund balance decreased by \$125,526, primarily as a result of an increase in capital outlay costs of \$186,542.

### **Enterprise Funds**

The Township's enterprise funds provide the same type of information found in the government-wide financial statements. GASB 34 places such funds under the caption of *Proprietary Funds* under the appropriate statements, i.e., *Statement of Net Position*, *Statement of Cash Flows*, etc.

The Sewage Disposal System Fund net position increased by \$281,564. Charges for services revenue increased by \$136,955 as a result of increases in rates charged to customers. Other activity in the fund remained relatively consistent.

The Water Fund net position increased by \$1,055,351. The Township received significant federal grants (\$1,000,000, which was recorded as a capital contribution) and state grants (\$752,030), which helped fund significant capital outlay activity related to various water main extension projects.

The Old Orchard Park Fund net position decreased by \$52,654. Operating revenue decreased by about \$88,000 as a result of a delay in opening due to the COVID-19 pandemic while operating expenses were relatively stable.

### **Budgetary Highlights**

The Township's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund.

During the fiscal year ended December 31, 2020 the Township Board amended the budget to take into account events occurring during the year. These budget amendments fall into two categories:

- Changes made to reflect increases or decreases in anticipated expenditures
- Changes made to reflect increases or decreases in anticipated revenues

### **General Fund**

The General Fund actual revenue was \$2,903,533. That amount is below the original and final budget estimates of \$2,924,093. The variance between the actual revenue and the final amended budget was mainly the result of charges for services related to police services rendered for the Charter Township of AuSable being less than budgeted.

The actual expenditures of the General Fund were \$1,929,170, which is below both the original budget estimate of \$2,134,656 and the final amended budget estimate of \$2,287,379. The budget was primarily amended in anticipation of additional costs in several areas, most prominently capital outlay expenditures. The variance between the actual expenditures and the final amended budget was the result of being under budget across all functions, most notably Other General Government and Recreation and Cultural.



The General Fund had total revenues of \$2,903,533 and total expenditures of \$1,929,170 with an ending fund balance of \$2,531,324.

Operating transfers in of \$267,100 include transfers from several funds, most prominently the Old Orchard Park Fund (\$129,015). Operating transfers out of \$1,017,624 were to the Police Fund (\$1,004,050) and the Police Staffing Fund (\$13,574).

### **Capital Asset and Debt Administration**

#### **Capital Assets**

Capital assets are defined by the Township as assets with an initial individual cost of more than \$7,500, or \$5,000 if purchased with federal funds, and an estimated useful life in excess of one year. Such assets are recorded at *historical cost* or *estimated historical cost* if purchased or constructed. Donated capital assets are recorded at estimated FMV (fair market value) at the date of donation.

The Township's infrastructure consists of water and sewer lines. Improvements are capitalized, i.e., depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Capital Assets – Governmental Activities beginning balance was \$16,409,567 with an ending balance of \$17,305,168. Governmental Activities Total Capital Assets – Net of Depreciation was \$11,707,013.

During the year ended December 31, 2020, the Township's governmental capital asset additions consisted of:

|                                     |                            |
|-------------------------------------|----------------------------|
| Pierce Fire Truck                   | \$ 529,019                 |
| Three MT7 Tractors with Attachments | 148,812                    |
| OOP Electrical Upgrades             | 79,512                     |
| Two Police Vehicles                 | 78,711                     |
| Phone System and Recabling Project  | 48,065                     |
| Security Cameras                    | 26,885                     |
| 2021 Chevy Colorado                 | 25,175                     |
| Other Additions                     | <u>74,517</u>              |
| <b>Total Additions</b>              | <b><u>\$ 1,010,696</u></b> |

The Township's governmental capital asset disposals consisted of three police vehicles and the construction in progress on the phone system and recabling project, which was completed and included in the current year additions above. Total proceeds from the sale of capital assets were \$21,662.

Capital Assets - Business Type Activities beginning balance was \$16,728,440 with an ending balance of \$18,627,949. Business-Type Activities Total Capital Assets – Net of Depreciation was \$10,232,115. Current year additions consisted of \$2,441,423 for various water main extension projects (\$715,823 of which had been recorded in construction in progress in prior years), \$86,830 for sanitary sewer system improvements, vector truck repairs totaling \$68,445, and \$29,141 for a 2020 Ford F-250. Disposals included the preceding construction in progress and various fully depreciated equipment.

An expanded and detailed presentation may be seen in Note 4 of the notes to financial statements.

#### **Long-Term Debt**

The Long-Term debt of the Charter Township of Oscoda, as noted on the financial statements contained herein, is comprised of debt related to direct business transactions by the Township Board of Trustees.

At year's end, long-term debt amounted to \$2,675,957. Such debt includes *Bonds Payable* and *Compensated Absences*. Compensated absences are accumulated vested vacation benefits payable and contingent liability for the accumulated sick leave benefits of its employees.

An expanded and detailed presentation may be seen in Note 6 of the audit notes to financial statements.

### **Net Pension Liability**

Net pension liability for the Township at year-end amounted to \$1,856,196. This is the contingent liability for certain retirement, disability, and death benefits to plan members and beneficiaries.

An expanded and detailed presentation may be seen in Note 9 of the audit notes to financial statements.

### **Economic Factors**

The Township's economic climate appears to be on the verge of growing for 2021 and the 2021 taxable values for the Township are at \$315,987,244 which is an increase of \$11,130,065 compared to 2020 actual taxable value of \$304,857,179. Projected revenue increases for the Township include \$52,000 for Township Operating, \$9,900 for Fire and \$16,600 for Police. In comparison of taxable values between 2009 and 2021 (12-year period) the 2009 Taxable Value was \$307,416,600 with 2021 Taxable Value at \$315,987,244 for a twelve-year gain of just \$11,130,065. This means cautious budgeting for 2022 as there is uncertainty in State revenue which has been decreasing due to losses in sales tax revenue and the COVID-19 pandemic's economy slowdown effects.

The COVID-19 pandemic has hurt local businesses and has stagnated the economy in our community. With the emergence of vaccinations and the possibility to return to a more regular summertime, and tourist influx this will help our local businesses recover some of their losses, but not all. There are signs of new business start-ups on the horizon and long-term business projects finally opening for business this year which could spark more commercial activity. The Township has many projects being planned or implemented that depend on grant funding, which this supplemental funding could end or not be awarded. The Township would have to rethink its projects and priorities if this were to occur, given our past successes in having large portions of projects paid for through grant sources.

The Township's costs for labor, equipment, goods, and services continue to increase given outside market forces, COVID-19 pandemic production shortages which have driven up costs, and other factors. COVID-19 economic effects, slow taxable value increases and other factors combine to create continuing budgetary issues, which must be addressed through cautious financial planning and prudent budgeting.

### **Component Unit**

Complete financial statements for the Oscoda-Wurtsmith Airport Local Development Finance Authority are included in this audit report.

### **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 Charter Township of Oscoda Superintendent, 110 S. State Street, Oscoda, Michigan, 48750.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

STATEMENT OF NET POSITION  
December 31, 2020

|  | Primary Government      |                          |              | Component Unit   |
|--|-------------------------|--------------------------|--------------|--|
|  |                         |                          |              | Oscoda-Wurtsmith Airport Local Development Finance Authority |
|  | Governmental Activities | Business-Type Activities | Total        |  |
| <b>Assets</b>  |                         |                          |              |  |
| Cash and Cash Equivalents                            | \$ 4,179,170            | \$ 846,199               | \$ 5,025,369 | \$ 349,840   |
| Investments  | 2,276,375               | 2,134,597                | 4,410,972    | 0  |
| Receivables:   |                         |                          |              |  |
| Property Taxes                                       | 1,947,029               | 0                        | 1,947,029    | 143,669  |
| Delinquent Taxes                                     | 8,371                   | 0                        | 8,371        | 0  |
| Special Assessments                                  | 25,796                  | 0                        | 25,796       | 0  |
| Accounts, Net  | 83,277                  | 181,238                  | 264,515      | 0  |
| Due from Local Units                                 | 30,392                  | 1,150                    | 31,542       | 0  |
| Due from State                                       | 116,910                 | 0                        | 116,910      | 0  |
| Internal Balances                                    | 455                     | (455)                    | 0            | 0  |
| Prepaid Items  | 20,810                  | 3,270                    | 24,080       | 0  |
| Inventory  | 0                       | 6,131                    | 6,131        | 0  |
| Restricted Assets:                                   |                         |                          |              |  |
| Cash and Cash Equivalents                            | 25,566                  | 46,961                   | 72,527       | 0  |
| Investments  | 0                       | 1,722                    | 1,722        | 0  |
| Noncurrent Assets:                                   |                         |                          |              |  |
| Investment in Huron Shore Regional Utility Authority | 0                       | 4,149,964                | 4,149,964    | 0  |
| Investment in Iosco Exploration Trail                | 107,008                 | 67,968                   | 174,976      | 0  |
| Capital Assets Not Being Depreciated                 | 5,627,724               | 246,713                  | 5,874,437    | 0  |
| Capital Assets, Net of Accumulated Depreciation      | 6,079,289               | 9,985,402                | 16,064,691   | 0  |
| Total Assets   | 20,528,172              | 17,670,860               | 38,199,032   | 493,509  |
| <b>Deferred Outflows of Resources</b>                |                         |                          |              |  |
| Deferred Charge on Refunding                         | 0                       | 9,089                    | 9,089        | 0  |
| Deferred Amounts Related to Pensions                 | 270,132                 | 0                        | 270,132      | 0  |
| Total Deferred Outflows of Resources                 | 270,132                 | 9,089                    | 279,221      | 0  |
| <b>Liabilities</b>                                   |                         |                          |              |  |
| Accounts Payable                                     | 125,830                 | 206,172                  | 332,002      | 0  |
| Due to State   | 0                       | 27,215                   | 27,215       | 0  |
| Due to Other Units of Government                     | 9,104                   | 0                        | 9,104        | 0  |
| Accrued Interest Payable                             | 0                       | 14,216                   | 14,216       | 0  |
| Deposits Payable                                     | 26,196                  | 3,386                    | 29,582       | 0  |
| Accrued Liabilities                                  | 89,959                  | 4,901                    | 94,860       | 0  |
| Unearned Revenue                                     | 0                       | 108,109                  | 108,109      | 0  |
| Long Term Liabilities:                               |                         |                          |              |  |
| Due Within One Year                                  | 0                       | 307,000                  | 307,000      | 0  |
| Due In More Than One Year                            | 119,357                 | 2,249,600                | 2,368,957    | 0  |
| Net Pension Liability                                | 1,856,196               | 0                        | 1,856,196    | 0  |
| Total Liabilities                                    | 2,226,642               | 2,920,599                | 5,147,241    | 0  |
| <b>Deferred Inflows of Resources</b>                 |                         |                          |              |  |
| Property Taxes Levied for Next Year                  | 2,269,559               | 0                        | 2,269,559    | 143,669  |
| Deferred Amounts Related to Pensions                 | 89,164                  | 0                        | 89,164       | 0  |
| Total Deferred Inflows of Resources                  | 2,358,723               | 0                        | 2,358,723    | 143,669  |

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

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

STATEMENT OF NET POSITION  
December 31, 2020

|                                  | Primary Government         |                             |                      | Component Unit   |
|----------------------------------|----------------------------|-----------------------------|----------------------|--|
|                                  |                            |                             |                      | Oscoda-<br>Wurtsmith<br>Airport Local<br>Development<br>Finance<br>Authority |
|                                  | Governmental<br>Activities | Business-Type<br>Activities | Total                |  |
| <u>Net Position</u>              |                            |                             |                      |  |
| Net Investment in Capital Assets | \$ 11,707,013              | \$ 7,701,021                | \$ 19,408,034        | \$ 0   |
| Restricted For:                  |                            |                             |                      |  |
| Library Activities               | 104,785                    | 0                           | 104,785              | 0  |
| Road Improvement                 | 77,543                     | 0                           | 77,543               | 0  |
| Drug Enforcement                 | 1,279                      | 0                           | 1,279                | 0  |
| Capital Projects                 | 118,670                    | 0                           | 118,670              | 0  |
| Debt Service                     | 0                          | 935                         | 935                  | 0  |
| Capital Improvements             | 0                          | 47,748                      | 47,748               | 0  |
| Economic Development             | 7,896                      | 0                           | 7,896                | 349,840  |
| Forest Roads                     | 44,370                     | 0                           | 44,370               | 0  |
| Cemetery                         | 1,625                      | 0                           | 1,625                | 0  |
| Fire Equipment                   | 313,079                    | 0                           | 313,079              | 0  |
| Police Staffing                  | 22,366                     | 0                           | 22,366               | 0  |
| Unrestricted                     | <u>3,814,313</u>           | <u>7,009,646</u>            | <u>10,823,959</u>    | <u>0</u>   |
| Total Net Position               | <u>\$ 16,212,939</u>       | <u>\$ 14,759,350</u>        | <u>\$ 30,972,289</u> | <u>\$ 349,840</u>  |

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



CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2020

|   |                     |                         |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                             |                    | Component<br>Unit<br><br>Oscoda-<br>Wurtsmith<br>Airport Local<br>Development<br>Finance<br>Authority |
|---|---------------------|-------------------------|--|--|--|-----------------------------|--------------------|---|
| Program Revenues  |                     |                         |  |  | Primary Government                                   |                             |                    |   |
|   |                     |                         |  |  |  |                             |                    |   |
| Function/Program  | Expenses            | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-Type<br>Activities | Total              |   |
| <u>Primary Government</u>                                       |                     |                         |  |  |  |                             |                    |   |
| Governmental Activities:  |                     |                         |  |  |  |                             |                    |   |
| General Government  | \$ 1,113,770        | \$ 558,233              | \$ 6,174                                 | \$ 0                                   | \$ (549,363)   | \$ 0                        | \$ (549,363)       |   |
| Public Safety   | 1,790,440           | 250,602                 | 40,406                                   | 18,900                                 | (1,480,532)  | 0                           | (1,480,532)        |   |
| Public Works  | 159,850             | 58,705                  | 27,202                                   | 0                                      | (73,943)   | 0                           | (73,943)           |   |
| Community and Economic Development                              | 805,802             | 14,099                  | 28,617                                   | 0                                      | (763,086)  | 0                           | (763,086)          |   |
| Recreation and Cultural   | <u>457,418</u>      | <u>23,721</u>           | <u>106,727</u>                           | <u>0</u>                               | <u>(326,970)</u>                                     | <u>0</u>                    | <u>(326,970)</u>   |   |
| Total Governmental Activities                                   | <u>4,327,280</u>    | <u>905,360</u>          | <u>209,126</u>                           | <u>18,900</u>                          | <u>(3,193,894)</u>                                   | <u>0</u>                    | <u>(3,193,894)</u> |   |
| Business-Type Activities:                                       |                     |                         |  |  |  |                             |                    |   |
| Sewer Services  | 760,136             | 1,066,811               | 0  | 0                                      | 0  | 306,675                     | 306,675            |   |
| Water Services  | 1,653,777           | 980,510                 | 752,030                                  | 1,000,000                              | 0  | 1,078,763                   | 1,078,763          |   |
| Old Orchard Park  | <u>637,293</u>      | <u>731,119</u>          | <u>0</u>                                 | <u>0</u>                               | <u>0</u>   | <u>93,826</u>               | <u>93,826</u>      |   |
| Total Business-Type Activities                                  | <u>3,051,206</u>    | <u>2,778,440</u>        | <u>752,030</u>                           | <u>1,000,000</u>                       | <u>0</u>   | <u>1,479,264</u>            | <u>1,479,264</u>   |   |
| Total Primary Government  | <u>\$ 7,378,486</u> | <u>\$ 3,683,800</u>     | <u>\$ 961,156</u>                        | <u>\$ 1,018,900</u>                    | <u>(3,193,894)</u>                                   | <u>1,479,264</u>            | <u>(1,714,630)</u> |   |
| <u>Component Unit</u>   |                     |                         |  |  |  |                             |                    |   |
| Oscoda-Wurtsmith Airport Local<br>Development Finance Authority | <u>\$ 1,649</u>     | <u>\$ 0</u>             | <u>\$ 0</u>                              | <u>\$ 0</u>                            |  |                             | <u>\$ (1,649)</u>  |   |

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

CHARTER TOWNSHIP OF OSCODA  
Oscoda County, Michigan

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2020

| Function/Program                          | Program Revenues |                         |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                             |                      | Component  |
|---|------------------|-------------------------|--|--|--|-----------------------------|----------------------|--|
|   | Expenses         | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government                                   |                             | Total                | Unit   |
|   |                  |                         |  |  | Governmental<br>Activities                           | Business-Type<br>Activities |                      | Oscoda-<br>Wurtsmith<br>Airport Local<br>Development<br>Finance<br>Authority |
| General Revenue:                          |                  |                         |  |  |  |                             |                      |  |
| Property Taxes Levied For:                |                  |                         |  |  |  |                             |                      |  |
| General Operating                         |                  |                         |  |  | \$ 1,409,297   | \$ 0                        | \$ 1,409,297         | \$ 125,613   |
| Fire Equipment                            |                  |                         |  |  | 267,345  | 0                           | 267,345              | 0  |
| Senior Center                             |                  |                         |  |  | 28,675   | 0                           | 28,675               | 0  |
| Police Operating                          |                  |                         |  |  | 237,631  | 0                           | 237,631              | 0  |
| Police Staffing                           |                  |                         |  |  | 207,922  | 0                           | 207,922              | 0  |
| State Revenue Sharing                     |                  |                         |  |  | 639,209  | 0                           | 639,209              | 0  |
| Interest and Investment Earnings          |                  |                         |  |  | 53,604   | 46,712                      | 100,316              | 964  |
| Rent Income                               |                  |                         |  |  | 398,664  | 30,790                      | 429,454              | 0  |
| Gain (Loss) on Disposal of Capital Assets |                  |                         |  |  | 21,662   | 0                           | 21,662               | 0  |
| Other                                     |                  |                         |  |  | 20,795   | 6,510                       | 27,305               | 0  |
| Transfers                                 |                  |                         |  |  | 279,015  | (279,015)                   | 0                    | 0  |
| Total General Revenue and Transfers       |                  |                         |  |  | <u>3,563,819</u>                                     | <u>(195,003)</u>            | <u>3,368,816</u>     | <u>126,577</u>   |
| Change in Net Position                    |                  |                         |  |  | 369,925  | 1,284,261                   | 1,654,186            | 124,928  |
| Net Position - Beginning (Restated)       |                  |                         |  |  | <u>15,843,014</u>                                    | <u>13,475,089</u>           | <u>29,318,103</u>    | <u>224,912</u>   |
| Net Position - Ending                     |                  |                         |  |  | <u>\$ 16,212,939</u>                                 | <u>\$ 14,759,350</u>        | <u>\$ 30,972,289</u> | <u>\$ 349,840</u>  |

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

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2020

|  | Special Revenue Funds |  |                   |                           |                                |                                |
|--|-----------------------|--|-------------------|---------------------------|--------------------------------|--------------------------------|
|  | General Fund          | Property<br>Operation and<br>Maintenance<br>Fund | Police Fund       | Fire<br>Equipment<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
| <b>Assets</b>  |                       |  |                   |                           |                                |                                |
| Cash and Cash Equivalents  | \$ 1,968,344          | \$ 1,330,494                                     | \$ 269,112        | \$ 258,121                | \$ 353,099                     | \$ 4,179,170                   |
| Investments  | 627,074               | 1,380,547  | 54,133            | 86,379                    | 128,242                        | 2,276,375                      |
| Receivables:   |                       |  |                   |                           |                                |                                |
| Property Taxes   | 1,300,641             | 0  | 215,463           | 242,395                   | 188,530                        | 1,947,029                      |
| Delinquent Taxes   | 8,371                 | 0  | 0                 | 0                         | 0                              | 8,371                          |
| Special Assessments  | 25,796                | 0  | 0                 | 0                         | 0                              | 25,796                         |
| Accounts, Net  | 34,988                | 48,289   | 0                 | 0                         | 0                              | 83,277                         |
| Due from Local Units   | 18,792                | 0  | 0                 | 0                         | 11,600                         | 30,392                         |
| Due from State   | 115,422               | 0  | 496               | 558                       | 434                            | 116,910                        |
| Due from Other Funds   | 500                   | 0  | 0                 | 0                         | 0                              | 500                            |
| Prepaid Items  | 7,656                 | 0  | 9,593             | 0                         | 3,561                          | 20,810                         |
| Restricted Assets:   |                       |  |                   |                           |                                |                                |
| Cash and Cash Equivalents  | 0                     | 0  | 0                 | 0                         | 25,566                         | 25,566                         |
| Noncurrent Assets:   |                       |  |                   |                           |                                |                                |
| Investment in Iosco Exploration Trail                                    | 107,008               | 0  | 0                 | 0                         | 0                              | 107,008                        |
| <b>Total Assets</b>  | <b>\$ 4,214,592</b>   | <b>\$ 2,759,330</b>                              | <b>\$ 548,797</b> | <b>\$ 587,453</b>         | <b>\$ 711,032</b>              | <b>\$ 8,821,204</b>            |
| <b>Liabilities</b>   |                       |  |                   |                           |                                |                                |
| Accounts Payable   | \$ 72,141             | \$ 36,608  | \$ 5,326          | \$ 0                      | \$ 11,755                      | \$ 125,830                     |
| Due to Other Funds   | 45                    | 0  | 0                 | 0                         | 0                              | 45                             |
| Due to Other Units of Government   | 8,750                 | 0  | 0                 | 0                         | 354                            | 9,104                          |
| Deposits Payable   | 26,196                | 0  | 0                 | 0                         | 0                              | 26,196                         |
| Accrued Liabilities  | 27,551                | 2,246  | 48,765            | 0                         | 11,397                         | 89,959                         |
| <b>Total Liabilities</b>   | <b>134,683</b>        | <b>38,854</b>                                    | <b>54,091</b>     | <b>0</b>                  | <b>23,506</b>                  | <b>251,134</b>                 |
| <b>Deferred Inflows of Resources</b>                                     |                       |  |                   |                           |                                |                                |
| Property Taxes Levied for Next Year                                      | 1,537,895             | 0  | 243,888           | 274,374                   | 213,402                        | 2,269,559                      |
| Unavailable Revenue - Property Taxes                                     | 8,371                 | 0  | 0                 | 0                         | 0                              | 8,371                          |
| Unavailable Revenue - Rent   | 0                     | 37,287   | 0                 | 0                         | 0                              | 37,287                         |
| Unavailable Revenue - Special Assessments                                | 2,319                 | 0  | 0                 | 0                         | 0                              | 2,319                          |
| Unavailable Revenue - Timber Payment                                     | 0                     | 0  | 0                 | 0                         | 11,600                         | 11,600                         |
| <b>Total Deferred Inflows of Resources</b>                               | <b>1,548,585</b>      | <b>37,287</b>                                    | <b>243,888</b>    | <b>274,374</b>            | <b>225,002</b>                 | <b>2,329,136</b>               |
| <b>Fund Equity</b>   |                       |  |                   |                           |                                |                                |
| <b>Fund Balances:</b>  |                       |  |                   |                           |                                |                                |
| Nonspendable:  |                       |  |                   |                           |                                |                                |
| Prepaid Items  | 7,656                 | 0  | 9,593             | 0                         | 3,561                          | 20,810                         |
| Restricted For:  |                       |  |                   |                           |                                |                                |
| Capital Projects   | 0                     | 0  | 0                 | 0                         | 118,670                        | 118,670                        |
| Drug Enforcement   | 0                     | 0  | 0                 | 0                         | 4                              | 4                              |
| Library Activities   | 0                     | 0  | 0                 | 0                         | 104,785                        | 104,785                        |
| Cemetery   | 0                     | 0  | 0                 | 0                         | 1,625                          | 1,625                          |
| Road Improvement   | 0                     | 0  | 0                 | 0                         | 77,543                         | 77,543                         |
| Economic Development   | 7,896                 | 0  | 0                 | 0                         | 0                              | 7,896                          |
| Forest Roads   | 0                     | 0  | 0                 | 0                         | 32,770                         | 32,770                         |
| Fire Equipment   | 0                     | 0  | 0                 | 313,079                   | 0                              | 313,079                        |
| Police Staffing  | 0                     | 0  | 0                 | 0                         | 20,080                         | 20,080                         |
| Committed To:  |                       |  |                   |                           |                                |                                |
| Capital Projects   | 0                     | 0  | 0                 | 0                         | 103,486                        | 103,486                        |
| Police   | 0                     | 0  | 241,225           | 0                         | 0                              | 241,225                        |
| Property Operations and Maintenance                                      | 0                     | 2,683,189  | 0                 | 0                         | 0                              | 2,683,189                      |
| Assigned To:   |                       |  |                   |                           |                                |                                |
| Next Year's Budgeted Expenditures  | 53,904                | 0  | 0                 | 0                         | 0                              | 53,904                         |
| Unassigned   | 2,461,868             | 0  | 0                 | 0                         | 0                              | 2,461,868                      |
| <b>Total Fund Equity</b>   | <b>2,531,324</b>      | <b>2,683,189</b>                                 | <b>250,818</b>    | <b>313,079</b>            | <b>462,524</b>                 | <b>6,240,934</b>               |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Equity</b> | <b>\$ 4,214,592</b>   | <b>\$ 2,759,330</b>                              | <b>\$ 548,797</b> | <b>\$ 587,453</b>         | <b>\$ 711,032</b>              | <b>\$ 8,821,204</b>            |

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

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
December 31, 2020

|                                  |    |           |
|----------------------------------|----|-----------|
| Total Governmental Fund Balances | \$ | 6,240,934 |
|----------------------------------|----|-----------|

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, are not reported as assets in governmental funds. Capital assets at year end consist of:

|                          |                    |  |            |
|--------------------------|--------------------|--|------------|
| Capital Asset Cost       | \$ 17,305,168      |  |            |
| Accumulated Depreciation | <u>(5,598,155)</u> |  |            |
|                          |                    |  | 11,707,013 |

Other assets are not available to pay for current period expenditures and, therefore, are unavailable revenue in the governmental funds:

|                                |               |  |        |
|--------------------------------|---------------|--|--------|
| Personal Property Taxes        | 8,371         |  |        |
| Special Assessments Receivable | 2,319         |  |        |
| Rent Receivable                | 37,287        |  |        |
| Due From Local Units           | <u>11,600</u> |  |        |
|                                |               |  | 59,577 |

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

|  |                |  |         |
|--|----------------|--|---------|
| Excess Investment Return                           | (89,164)       |  |         |
| Changes in Assumptions                             | 134,122        |  |         |
| Differences between Expected and Actual Experience | <u>136,010</u> |  |         |
|  |                |  | 180,968 |

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

|                              |                  |  |                    |
|------------------------------|------------------|--|--------------------|
| Net Pension Liability        | (1,856,196)      |  |                    |
| Compensated Absences Payable | <u>(119,357)</u> |  |                    |
|                              |                  |  | <u>(1,975,553)</u> |

|  |    |                   |
|--|----|-------------------|
| Total Net Position - Governmental Activities | \$ | <u>16,212,939</u> |
|--|----|-------------------|

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



CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2020

|   | General Fund        | Special Revenue Funds                            |                   |                           |                                | Total<br>Governmental<br>Funds |
|---|---------------------|--|-------------------|---------------------------|--------------------------------|--------------------------------|
|   |                     | Property<br>Operation and<br>Maintenance<br>Fund | Police Fund       | Fire<br>Equipment<br>Fund | Other<br>Governmental<br>Funds |                                |
| <b>Revenue</b>                              |                     |  |                   |                           |                                |                                |
| Property Taxes                              | \$ 1,534,031        | \$ 0   | \$ 237,631        | \$ 267,345                | \$ 207,922                     | \$ 2,246,929                   |
| Property Taxes - Senior Center              | 28,675              | 0  | 0                 | 0                         | 0                              | 28,675                         |
| Federal Grants and Revenue                  | 33,174              | 0  | 28,900            | 0                         | 2,000                          | 64,074                         |
| State Grants and Revenue                    | 679,028             | 0  | 8,972             | 0                         | 11,633                         | 699,633                        |
| Contributions from Local Units              | 0                   | 0  | 0                 | 0                         | 104,527                        | 104,527                        |
| Charges for Services                        | 521,778             | 0  | 0                 | 167,901                   | 13,856                         | 703,535                        |
| Fines and Forfeits                          | 0                   | 0  | 5,880             | 0                         | 0                              | 5,880                          |
| Interest and Rentals                        | 26,080              | 381,172  | 2,140             | 2,303                     | 3,286                          | 414,981                        |
| Special Assessments                         | 49,674              | 0  | 0                 | 0                         | 0                              | 49,674                         |
| Other Revenue                               | 31,093              | 2,711  | 3,230             | 0                         | 4,170                          | 41,204                         |
| Total Revenue                               | <u>2,903,533</u>    | <u>383,883</u>                                   | <u>286,753</u>    | <u>437,549</u>            | <u>347,394</u>                 | <u>4,359,112</u>               |
| <b>Expenditures</b>                         |                     |  |                   |                           |                                |                                |
| Current:                                    |                     |  |                   |                           |                                |                                |
| General Government:                         |                     |  |                   |                           |                                |                                |
| Legislative                                 | 19,548              | 0  | 0                 | 0                         | 0                              | 19,548                         |
| Chief Executive                             | 185,019             | 0  | 0                 | 0                         | 0                              | 185,019                        |
| Financial and Tax Administration            | 482,292             | 0  | 0                 | 0                         | 0                              | 482,292                        |
| Other General Government                    | 417,593             | 0  | 0                 | 0                         | 0                              | 417,593                        |
| Public Safety                               | 162,365             | 0  | 1,137,493         | 0                         | 204,961                        | 1,504,819                      |
| Public Works                                | 97,377              | 0  | 0                 | 0                         | 22,472                         | 119,849                        |
| Community and Economic Development          | 179,370             | 301,192  | 0                 | 0                         | 0                              | 480,562                        |
| Recreation and Cultural                     | 288,810             | 0  | 0                 | 0                         | 114,367                        | 403,177                        |
| Capital Outlay                              | 96,796              | 201,679  | 104,425           | 541,869                   | 204,694                        | 1,149,463                      |
| Total Expenditures                          | <u>1,929,170</u>    | <u>502,871</u>                                   | <u>1,241,918</u>  | <u>541,869</u>            | <u>546,494</u>                 | <u>4,762,322</u>               |
| Excess of Revenue Over (Under) Expenditures | <u>974,363</u>      | <u>(118,988)</u>                                 | <u>(955,165)</u>  | <u>(104,320)</u>          | <u>(199,100)</u>               | <u>(403,210)</u>               |
| <b>Other Financing Sources (Uses)</b>       |                     |  |                   |                           |                                |                                |
| Sale of Capital Assets                      | 18,200              | 0  | 3,462             | 0                         | 0                              | 21,662                         |
| Operating Transfers In                      | 267,100             | 0  | 1,004,050         | 0                         | 73,574                         | 1,344,724                      |
| Operating Transfers Out                     | (1,017,624)         | (48,085)   | 0                 | 0                         | 0                              | (1,065,709)                    |
| Total Other Financing Sources (Uses)        | <u>(732,324)</u>    | <u>(48,085)</u>                                  | <u>1,007,512</u>  | <u>0</u>                  | <u>73,574</u>                  | <u>300,677</u>                 |
| Net Change in Fund Balances                 | 242,039             | (167,073)  | 52,347            | (104,320)                 | (125,526)                      | (102,533)                      |
| Fund Balances - Beginning of Year           | <u>2,289,285</u>    | <u>2,850,262</u>                                 | <u>198,471</u>    | <u>417,399</u>            | <u>588,050</u>                 | <u>6,343,467</u>               |
| Fund Balances - End of Year                 | <u>\$ 2,531,324</u> | <u>\$ 2,683,189</u>                              | <u>\$ 250,818</u> | <u>\$ 313,079</u>         | <u>\$ 462,524</u>              | <u>\$ 6,240,934</u>            |

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

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2020

|  |              |
|--|--------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ (102,533) |
|--|--------------|

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

Receivables not currently available are reported as revenue when collected or when currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements:

|                           |              |        |
|---------------------------|--------------|--------|
| Personal Property Taxes   | \$ 1,587     |        |
| Reimbursements            | (658)        |        |
| Rent Receivable           | 37,287       |        |
| Federal Grants Receivable | (800)        |        |
| Special Assessments       | <u>2,319</u> |        |
|                           |              | 39,735 |

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

|                      |                  |         |
|----------------------|------------------|---------|
| Capital Outlay       | 963,591          |         |
| Depreciation Expense | <u>(469,807)</u> |         |
|                      |                  | 493,784 |

Governmental funds report Township pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense. The following amounts represent the current year net changes:

|                               |          |
|-------------------------------|----------|
| Net Change in Pension Expense | (45,199) |
|-------------------------------|----------|

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 governmental funds:

|  |                 |
|--|-----------------|
| Net Change in Accrued Compensated Absences | <u>(15,862)</u> |
|--|-----------------|

|   |                          |
|---|--------------------------|
| Change in Net Position of Governmental Activities | \$ <u><u>369,925</u></u> |
|---|--------------------------|

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

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2020

|  | Enterprise Funds                  |                      |                          |                      |
|--|-----------------------------------|----------------------|--------------------------|----------------------|
|  | Major Funds                       |                      |                          |                      |
|  | Sewage<br>Disposal<br>System Fund | Water Fund           | Old Orchard<br>Park Fund | Total                |
| <u>Assets</u>  |                                   |                      |                          |                      |
| Current Assets:                                      |                                   |                      |                          |                      |
| Cash and Cash Equivalents                            | \$ 491,881                        | \$ 121,423           | \$ 232,895               | \$ 846,199           |
| Investments  | 856,802                           | 798,447              | 479,348                  | 2,134,597            |
| Receivables:   |                                   |                      |                          |                      |
| Accounts, Net  | 99,902                            | 81,336               | 0                        | 181,238              |
| Due from Local Units                                 | 390                               | 760                  | 0                        | 1,150                |
| Due from Other Funds                                 | 0                                 | 45                   | 0                        | 45                   |
| Prepaid Items  | 0                                 | 0                    | 3,270                    | 3,270                |
| Inventory  | 0                                 | 0                    | 6,131                    | 6,131                |
| Restricted Assets:                                   |                                   |                      |                          |                      |
| Cash and Cash Equivalents                            | 46,961                            | 0                    | 0                        | 46,961               |
| Investments  | 1,722                             | 0                    | 0                        | 1,722                |
| Total Current Assets                                 | <u>1,497,658</u>                  | <u>1,002,011</u>     | <u>721,644</u>           | <u>3,221,313</u>     |
| Noncurrent Assets:                                   |                                   |                      |                          |                      |
| Investment in Huron Shore Regional Utility Authority | 0                                 | 4,149,964            | 0                        | 4,149,964            |
| Investment in Iosco Exploration Trail                | 0                                 | 67,968               | 0                        | 67,968               |
| Capital Assets Not Being Depreciated                 | 90,780                            | 155,933              | 0                        | 246,713              |
| Capital Assets, Net of Accumulated Depreciation      | <u>4,087,427</u>                  | <u>5,786,496</u>     | <u>111,479</u>           | <u>9,985,402</u>     |
| Total Noncurrent Assets                              | <u>4,178,207</u>                  | <u>10,160,361</u>    | <u>111,479</u>           | <u>14,450,047</u>    |
| Total Assets   | <u>5,675,865</u>                  | <u>11,162,372</u>    | <u>833,123</u>           | <u>17,671,360</u>    |
| <u>Deferred Outflows of Resources</u>                |                                   |                      |                          |                      |
| Deferred Charge on Refunding                         | <u>9,089</u>                      | <u>0</u>             | <u>0</u>                 | <u>9,089</u>         |
| <u>Liabilities</u>                                   |                                   |                      |                          |                      |
| Current Liabilities:                                 |                                   |                      |                          |                      |
| Accounts Payable                                     | 41,398                            | 144,936              | 19,838                   | 206,172              |
| Due to Other Funds                                   | 500                               | 0                    | 0                        | 500                  |
| Due to State   | 0                                 | 0                    | 27,215                   | 27,215               |
| Accrued Interest Payable                             | 14,216                            | 0                    | 0                        | 14,216               |
| Deposits Payable                                     | 0                                 | 110                  | 3,276                    | 3,386                |
| Accrued Liabilities                                  | 0                                 | 0                    | 4,901                    | 4,901                |
| Unearned Revenue                                     | 0                                 | 0                    | 108,109                  | 108,109              |
| Current Portion of Long-Term Liabilities             | <u>307,000</u>                    | <u>0</u>             | <u>0</u>                 | <u>307,000</u>       |
| Total Current Liabilities                            | <u>363,114</u>                    | <u>145,046</u>       | <u>163,339</u>           | <u>671,499</u>       |
| Long-Term Liabilities:                               |                                   |                      |                          |                      |
| Due in More Than One Year                            | <u>2,233,183</u>                  | <u>0</u>             | <u>16,417</u>            | <u>2,249,600</u>     |
| Total Liabilities                                    | <u>2,596,297</u>                  | <u>145,046</u>       | <u>179,756</u>           | <u>2,921,099</u>     |
| <u>Net Position</u>                                  |                                   |                      |                          |                      |
| Net Investment In Capital Assets                     | 1,647,113                         | 5,942,429            | 111,479                  | 7,701,021            |
| Restricted For:                                      |                                   |                      |                          |                      |
| Debt Service   | 935                               | 0                    | 0                        | 935                  |
| Capital Improvements                                 | 47,748                            | 0                    | 0                        | 47,748               |
| Unrestricted   | <u>1,392,861</u>                  | <u>5,074,897</u>     | <u>541,888</u>           | <u>7,009,646</u>     |
| Total Net Position                                   | <u>\$ 3,088,657</u>               | <u>\$ 11,017,326</u> | <u>\$ 653,367</u>        | <u>\$ 14,759,350</u> |

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

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2020

|  | Enterprise Funds                  |                      |                          |                      |
|--|-----------------------------------|----------------------|--------------------------|----------------------|
|  | Major Funds                       |                      |                          |                      |
|  | Sewage<br>Disposal<br>System Fund | Water Fund           | Old Orchard<br>Park Fund | Total                |
| <b>Operating Revenue</b>   |                                   |                      |                          |                      |
| Charges For Services   | \$ 1,051,827                      | \$ 932,706           | \$ 0                     | \$ 1,984,533         |
| User Fees  | 0                                 | 0                    | 602,631                  | 602,631              |
| Store Sales  | 0                                 | 0                    | 128,753                  | 128,753              |
| Tap Fees   | 5,375                             | 38,074               | 0                        | 43,449               |
| Penalties  | 9,609                             | 9,730                | 0                        | 19,339               |
| Rentals  | 0                                 | 0                    | 30,525                   | 30,525               |
| Other Revenue  | 1,544                             | 3,606                | 1,360                    | 6,510                |
| Total Operating Revenue  | <u>1,068,355</u>                  | <u>984,116</u>       | <u>763,269</u>           | <u>2,815,740</u>     |
| <b>Operating Expenses</b>  |                                   |                      |                          |                      |
| Salaries and Wages   | 0                                 | 0                    | 261,069                  | 261,069              |
| Payroll Taxes and Employee Benefits                                | 0                                 | 0                    | 106,750                  | 106,750              |
| Depreciation and Amortization                                      | 201,499                           | 156,915              | 24,699                   | 383,113              |
| Equipment  | 0                                 | 52,730               | 0                        | 52,730               |
| Gasoline and Oil   | 0                                 | 0                    | 8,351                    | 8,351                |
| Insurance and Bonds  | 6,278                             | 4,453                | 7,881                    | 18,612               |
| Licenses and Permits   | 0                                 | 0                    | 7,606                    | 7,606                |
| Office and Operating Supplies                                      | 6,027                             | 6,817                | 78,087                   | 90,931               |
| Printing and Advertising   | 1,052                             | 1,648                | 2,083                    | 4,783                |
| Professional Fees and Services                                     | 378,929                           | 495,725              | 14,995                   | 889,649              |
| Rent   | 0                                 | 0                    | 2,700                    | 2,700                |
| Repair and Maintenance   | 14,486                            | 436,712              | 30,982                   | 482,180              |
| Telephone  | 1,774                             | 372                  | 3,984                    | 6,130                |
| Travel and Training  | 0                                 | 0                    | 815                      | 815                  |
| Utilities  | 78,163                            | 491,516              | 71,098                   | 640,777              |
| Other  | 305                               | 6,889                | 16,193                   | 23,387               |
| Total Operating Expenses   | <u>688,513</u>                    | <u>1,653,777</u>     | <u>637,293</u>           | <u>2,979,583</u>     |
| Operating Income (Loss)  | <u>379,842</u>                    | <u>(669,661)</u>     | <u>125,976</u>           | <u>(163,843)</u>     |
| <b>Nonoperating Revenue (Expenses)</b>                             |                                   |                      |                          |                      |
| State Grants and Revenue   | 0                                 | 752,030              | 0                        | 752,030              |
| Interest and Investment Earnings                                   | 18,345                            | 17,982               | 10,385                   | 46,712               |
| Interest and Fees Expense  | (71,623)                          | 0                    | 0                        | (71,623)             |
| Total Nonoperating Revenue (Expenses)                              | <u>(53,278)</u>                   | <u>770,012</u>       | <u>10,385</u>            | <u>727,119</u>       |
| Income (Loss) Before Capital Contributions and Operating Transfers | 326,564                           | 100,351              | 136,361                  | 563,276              |
| Capital Contribution - Federal Grants                              | 0                                 | 1,000,000            | 0                        | 1,000,000            |
| Operating Transfers Out  | <u>(45,000)</u>                   | <u>(45,000)</u>      | <u>(189,015)</u>         | <u>(279,015)</u>     |
| Change in Net Position   | 281,564                           | 1,055,351            | (52,654)                 | 1,284,261            |
| Net Position - Beginning of Year (Restated)                        | <u>2,807,093</u>                  | <u>9,961,975</u>     | <u>706,021</u>           | <u>13,475,089</u>    |
| Net Position - End of Year   | <u>\$ 3,088,657</u>               | <u>\$ 11,017,326</u> | <u>\$ 653,367</u>        | <u>\$ 14,759,350</u> |

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



CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2020

|   | Enterprise Funds                  |                     |                          |                    |
|---|-----------------------------------|---------------------|--------------------------|--------------------|
|   | Major Funds                       |                     |                          |                    |
|   | Sewage<br>Disposal<br>System Fund | Water Fund          | Old Orchard<br>Park Fund | Total              |
| <b>Cash Flows From Operating Activities</b>   |                                   |                     |                          |                    |
| Receipts From Customers   | \$ 1,042,797                      | \$ 1,006,812        | \$ 780,440               | \$ 2,830,049       |
| Payments to Suppliers for Goods and Services  | (479,415)                         | (1,404,721)         | (227,774)                | (2,111,910)        |
| Payments to Employees for Services  | (2,754)                           | (36)                | (365,279)                | (368,069)          |
| Net Cash Provided (Used) by Operating Activities  | <u>560,628</u>                    | <u>(397,945)</u>    | <u>187,387</u>           | <u>350,070</u>     |
| <b>Cash Flows From Non-Capital Financing Activities</b>   |                                   |                     |                          |                    |
| State Grants Received   | 0                                 | 742,500             | 0                        | 742,500            |
| Cash Received from (Paid to) Other Funds  | (44,164)                          | (41,745)            | (189,015)                | (274,924)          |
| Net Cash Provided (Used) by Non-Capital Financing Activities  | <u>(44,164)</u>                   | <u>700,755</u>      | <u>(189,015)</u>         | <u>467,576</u>     |
| <b>Cash Flows From Capital and Related Financing Activities</b>                                       |                                   |                     |                          |                    |
| Federal Grants Received   | 0                                 | 1,000,000           | 0                        | 1,000,000          |
| Acquisition and Construction of Capital Assets  | (110,191)                         | (1,687,325)         | 0                        | (1,797,516)        |
| Principal Paid on Long-Term Debt  | (288,000)                         | 0                   | 0                        | (288,000)          |
| Interest and Fees Paid on Long-Term Debt  | (73,066)                          | 0                   | 0                        | (73,066)           |
| Net Cash Provided (Used) by Capital and Related Financing Activities                                  | <u>(471,257)</u>                  | <u>(687,325)</u>    | <u>0</u>                 | <u>(1,158,582)</u> |
| <b>Cash Flows From Investing Activities</b>   |                                   |                     |                          |                    |
| Interest on Investments   | 18,345                            | 17,982              | 10,385                   | 46,712             |
| Purchase of Investment Securities   | 35,259                            | (28,865)            | (61,223)                 | (54,829)           |
| Net Cash Provided (Used) by Investing Activities  | <u>53,604</u>                     | <u>(10,883)</u>     | <u>(50,838)</u>          | <u>(8,117)</u>     |
| Net Increase (Decrease) in Cash and Cash Equivalents  | 98,811                            | (395,398)           | (52,466)                 | (349,053)          |
| Cash and Cash Equivalents at Beginning of Year  | <u>440,031</u>                    | <u>516,821</u>      | <u>285,361</u>           | <u>1,242,213</u>   |
| Cash and Cash Equivalents at End of Year  | <u>\$ 538,842</u>                 | <u>\$ 121,423</u>   | <u>\$ 232,895</u>        | <u>\$ 893,160</u>  |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>  |                                   |                     |                          |                    |
| Operating Income (Loss)   | \$ 379,842                        | \$ (669,661)        | \$ 125,976               | \$ (163,843)       |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: |                                   |                     |                          |                    |
| Depreciation and Amortization Expense   | 201,499                           | 156,915             | 24,699                   | 383,113            |
| Change in Assets and Liabilities:   |                                   |                     |                          |                    |
| Accounts Receivable, Net  | (7,263)                           | (1,016)             | 4                        | (8,275)            |
| Inventory   | 0                                 | 98,206              | 0                        | 98,206             |
| Due from Local Units  | 1,820                             | (297)               | 0                        | 1,523              |
| Due from Federal Government   | 7,260                             | 0                   | 0                        | 7,260              |
| Prepaid Items   | 0                                 | 0                   | 353                      | 353                |
| Accounts Payable and Accrued Liabilities  | (22,530)                          | 17,908              | 15,164                   | 10,542             |
| Due to State  | 0                                 | 0                   | 389                      | 389                |
| Unearned Revenue  | 0                                 | 0                   | 17,167                   | 17,167             |
| Accrued Compensated Absences  | 0                                 | 0                   | 3,635                    | 3,635              |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 560,628</u>                 | <u>\$ (397,945)</u> | <u>\$ 187,387</u>        | <u>\$ 350,070</u>  |

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

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
December 31, 2020

|   | <u>Tax Account</u> | <u>Trailer Tax<br/>Collection Fund</u> | <u>Total</u>      |
|---|--------------------|--|-------------------|
| <u>Assets</u>                                       |                    |  |                   |
| Cash and Cash Equivalents                           | \$ <u>110,278</u>  | \$ <u>0</u>                            | \$ <u>110,278</u> |
| <u>Liabilities</u>                                  |                    |  |                   |
| Due to Local Units                                  | 38,950             | 0                                      | 38,950            |
| <u>Deferred Inflows of Resources</u>                |                    |  |                   |
| Property Taxes Levied for Next Year                 | <u>71,328</u>      | <u>0</u>                               | <u>71,328</u>     |
| Total Liabilities and Deferred Inflows of Resources | \$ <u>110,278</u>  | \$ <u>0</u>                            | \$ <u>110,278</u> |

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

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
For the Year Ended December 31, 2020

|   | <u>Tax Account</u> | <u>Trailer Tax<br/>Collection Fund</u> | <u>Total</u>     |
|---|--------------------|--|------------------|
| <u>Additions</u>                                  |                    |  |                  |
| Property Taxes Collected for Other Governments    | \$ 9,299,997       | \$ 0                                   | \$ 9,299,997     |
| Trailer Tax Fees Collected for Other Governments  | <u>0</u>           | <u>649</u>                             | <u>649</u>       |
| Total Additions                                   | <u>9,299,997</u>   | <u>649</u>                             | <u>9,300,646</u> |
| <u>Deductions</u>                                 |                    |  |                  |
| Property Taxes Distributed to Other Governments   | 9,299,997          | 0                                      | 9,299,997        |
| Trailer Tax Fees Distributed to Other Governments | <u>0</u>           | <u>649</u>                             | <u>649</u>       |
| Total Deductions                                  | <u>9,299,997</u>   | <u>649</u>                             | <u>9,300,646</u> |
| Change in Net Position                            | 0                  | 0                                      | 0                |
| Net Position - Beginning of Year                  | <u>0</u>           | <u>0</u>                               | <u>0</u>         |
| Net Position - End of Year                        | <u>\$ 0</u>        | <u>\$ 0</u>                            | <u>\$ 0</u>      |

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

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Oscoda (Township) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. The following is a summary of the significant accounting policies:

A. Description of Township Operations and Fund Types

The Charter Township of Oscoda was organized in 1970 under the Charter Township Act of 1947 and covers an area of approximately 120 square miles. The Charter Township operates under an elected Board (seven members) and provides services to its residents in many areas including law enforcement, fire protection, library, and water and sewer services.

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.

1. Discretely Presented Component Unit

The component unit column on the combined financial statements include the financial data of the Township's component unit. It is reported in a separate column to emphasize that it is legally separate from the Township.

a. Governmental Activity and Fund Type Component Unit:

**Oscoda-Wurtsmith Airport Local Development Finance Authority** - The Local Development Finance Authority was established in 2013 and is under the supervision and control of the Charter Township of Oscoda pursuant to the Local Development Financing Act, Public Act 281 of 1989, as amended by Public Act 290 of 2012. The governing body of the Local Development Finance Authority is an eleven member board appointed as follows: seven members shall be appointed by the Supervisor of the Charter Township of Oscoda and approved by the Charter Township of Oscoda Board of Trustees; one member shall be appointed by the Iosco County Board of Commissioners; one member shall be appointed by the President of Alpena Community College; and two members shall be appointed by the Superintendent of Oscoda Area Schools. The Authority was established to capture future property tax increment revenues generated from Oscoda-Wurtsmith Airport properties and utilize the captured revenues to improve and further develop the Oscoda-Wurtsmith Airport, as part of continuing efforts to stimulate and enhance the economy within and around Iosco County, Michigan. Financial statements for the Local Development Finance Authority are presented as part of other supplementary information and are not audited separately.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Joint Ventures

The Township has entered into several joint ventures with various municipalities described as follows:

Oscoda-AuSable Township Senior Center Building Authority

The Oscoda-AuSable Township Senior Center Building Authority was established as a joint venture between the Charter Township of AuSable and the Charter Township of Oscoda. The Building Authority was established to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities and the necessary sites therefore for use of any public purpose for the affairs of all senior citizens residing within said Townships. Each Township makes an annual contribution based on the property taxes received from the millage assessed for the Senior Center for each Township annually. The Charter Township of Oscoda's contribution for the year ended December 31, 2020 was \$28,675. Complete financial statements can be obtained from the AuSable Township Treasurer's office, located at 311 Fifth Street, Oscoda, Michigan 48750.

Huron Shore Regional Utility Authority

The Huron Shore Regional Utility Authority was established as a joint venture between the City of Tawas City, City of East Tawas, Charter Township of Oscoda, Charter Township of AuSable, Township of Alabaster, Township of Baldwin, all municipalities in Iosco County, and the Township of Greenbush in Alcona County. The Authority was established to acquire, own, improve, enlarge, extend and operate water supply and distribution systems and sewage disposal systems. The initial contract amount plus any adjustment for the Charter Township of Oscoda's share of the contracts is recorded as Investment in Huron Shore Regional Utility Authority in the Water Fund of the Township because title to the water and sewer systems belongs to the Authority.

The construction was originally funded with the proceeds of the Iosco County Limited Tax General Obligation Bonds dated March 1, 1991 in the amount of \$7,930,000. These bonds were paid off in 2011. The assets of the joint water supply system are the property of the Huron Shore Regional Utility Authority and, therefore, are not presented in these financial statements.

In 1995, the Township entered into a joint water and sewer system agreement for the purpose of constructing additions, extensions, improvements and related appurtenances to the Huron Shore Regional Utility Authority Water and Sewer System No. 1, with the Charter Township of AuSable, City of Tawas City and the Township of Baldwin. This bond was paid off in 2015. The assets of the joint water supply system are the property of the Huron Shore Regional Utility Authority and, therefore, are not presented in these financial statements. Each municipality makes an annual operation and maintenance contribution based on their proportionate share of the adopted annual budget. The Charter Township of Oscoda's contribution for the year ended December 31, 2020 was \$488,171. The current value of the Charter Township of Oscoda's investment in the Huron Shore Regional Utility Authority is \$4,149,964. Complete financial statements can be obtained from the Huron Shore Regional Utility Authority's office.

Oscoda-Wurtsmith Airport Authority

The Oscoda-Wurtsmith Airport Authority functions as a jointly governed organization between the County of Iosco, County of Alcona, Charter Township of Oscoda, Charter Township of AuSable and the Township of Greenbush. The Airport Authority was established to provide for planning, promoting, acquiring, constructing, improving, enlarging, extending, owning, maintaining and operating the landing, navigational and building facilities necessary thereto, at the former Wurtsmith Air Force Base, for the purpose of providing a Community Airport. The Charter Township of Oscoda has no financial obligation to the Airport Authority. Complete financial statements can be obtained from the Airport Authority Manager's office at 3961 East Airport Drive, Oscoda, Michigan 48750.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government and its component units, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type, and are excluded from the government-wide financial statements.

E. Fund Accounting

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds**

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Fund Accounting (Continued)**

General Fund - This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenue.

Property Operation and Maintenance Fund - This fund represents the primary maintenance budget for Township owned or leased facilities on the former Wurtsmith Air Force Base. Revenues include the sales, leases and land contracts for base property as well as other miscellaneous income including grants as they might become available.

Police Fund - This fund accounts for the collection of a separate tax millage that is used to fund police operations.

Fire Equipment Fund - This fund accounts for the collection of a separate tax millage that is used to fund fire equipment purchases.

The other governmental funds of the Township account for grants and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt.

**Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

The Township's enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Township's major enterprise funds:

Sewage Disposal System Fund - This fund accounts for the revenues and expenditures required to operate the Township's sanitary sewer system including the new lagoon facility at the former Wurtsmith Air Force Base and all related appurtenances such as mains and pump stations. Revenues required to operate the system are derived primarily from user fees.

Water Fund - This fund is maintained to account for operations of the public water system. Revenue and expenditure line items reflect maintenance and operation of the water system in Oscoda as well as the Township's financial participation in the Huron Shore Regional Utility Authority. Like the Sewer Fund, revenues are derived primarily from user fees.

Old Orchard Park Fund - This fund was created when the Township acquired a leasehold interest in the Old Orchard Park property from Consumers Energy and began operating the campground. The fund normally generates a net positive cash flow which is available to support governmental functions through interbudgetary transfers.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The Township's agency funds account for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for others. The Township uses these funds to account for trailer tax collection and property tax collection.



CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Measurement Focus

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

All assets and all liabilities associated with the operation of the Township are included on the statement of net position.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenue, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the Township finances and meets the cash flow needs of its enterprise activities.

G. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide, proprietary and fiduciary funds financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue as deferred inflows of resources, and in the presentation of expenses versus expenditures.

**Revenues – Exchange and Non-exchange Transactions**

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Township, available means expected to be received within 60 days of the fiscal year-end.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Basis of Accounting (Continued)

Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including sales tax), interest, grants and rent.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

H. Cash and Cash Equivalents

For presentation on the financial statements, investments in the cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Township are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost which approximates fair value. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Receivables

Receivables generally consist of accounts (fees), taxes, special assessments, interest, land contracts, and charges for sewer and water services due from various customers. 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.

Of the \$25,796 balance for special assessments receivable, \$23,477 is expected to be collected in the next fiscal year and is considered to be current.

The allowance for doubtful accounts at December 31, 2020 was \$0 for the primary government and the component unit.

J. 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 and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as Internal Balances.

K. Prepaid Items

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

L. Deferred Charges

Contract discounts are deferred and amortized over the term of the contract using the straight-line method since the results are not significantly different from the effective interest method.

M. Inventory

Inventory is recorded in the Old Orchard Park Fund and Water Fund at the lower of cost or market, with cost determined on a first-in, first-out basis. All purchases for materials are reflected in expenses when paid in the other funds.

N. Enterprise Fund Restricted Assets

Restricted Assets are those assets required to meet the covenants and conditions of bond indentures and other contract agreements.

O. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Capital Assets (Continued)

Capital assets are defined by the government as assets with an initial individual cost of more than \$7,500, or \$5,000 if purchased with federal funds, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Township's infrastructure consists of water and sewer lines. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

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

| <u>Descriptions</u>        | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Land Improvements          | 15 - 40 years          |
| Buildings and Improvements | 10 - 40 years          |
| Machinery & Equipment      | 5 - 20 years           |
| Vehicles                   | 5 - 15 years           |
| Infrastructure             | 5 - 50 years           |

P. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund statement. 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 judgments, contractually required pension contributions and special termination benefits that are paid from 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.

Q. Compensated Absences

The Township reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation and sick leave benefits are accrued as a liability using the vesting method. An accrual for earned vacation and sick leave is made based on accumulated vacation and sick leave and the employee wage rates at year end taking into consideration limits specified in the Township's termination policy. The Township records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The Township records a liability for sick leave earned at varying rates depending on the Township's policy.

The entire compensated absences liability is reported on the government-wide financial statements. On the governmental fund financial statements, the current portion of unpaid compensated absences is recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts, if any, are recorded in the account "Accrued Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported in the governmental fund financial statements. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Compensated Absences (Continued)

R. Net Pension Liability

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

S. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Township reports three categories of net position as follows:

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Township's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the Township.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. The Township's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

T. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Fund Balances (Continued)

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolution of the Township Board—the Township's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Township Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the Township's "intent" to be used for specific purposes, but are neither restricted nor committed. The Township Board or personnel authorized by the Township Board, the Township Treasurer, or Township Superintendent have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

U. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Township, these revenues are charges for services for water, sewer, campground, and park usage. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

V. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/ expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/ expenses to the funds that initially paid for them are not presented on the financial statements.

W. Budgets and Budgetary Accounting

The Charter Township of Oscoda normally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to December 1, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. This operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the governmental center to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of an ordinance.
4. 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.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. Budgets and Budgetary Accounting (Continued)

The Township adopts budgets for the General Fund and Special Revenue Funds.

The budgets of the Township are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted at the activity level.

The legal level of control is at the activity level for the General Fund and Special Revenue Funds.

Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Township Board. The financial statements include budgetary amounts as amended.

X. 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.

Y. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2022, the Township will be required to implement GASB Statement No. 87, "Leases". The objective of this Statement is to increase the usefulness of the governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the governments' leasing activities.

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<br>Activities | Business-<br>Type<br>Activities | Fiduciary<br>Funds | Total Primary<br>Government | Component<br>Units |
|---|----------------------------|---------------------------------|--------------------|-----------------------------|--------------------|
| Cash and Cash Equivalents               | \$ 4,179,170               | \$ 846,199                      | \$ 110,278         | \$ 5,135,647                | \$ 349,840         |
| Investments                             | 2,276,375                  | 2,134,597                       | 0                  | 4,410,972                   | 0                  |
| Restricted Cash and Cash<br>Equivalents | 25,566                     | 46,961                          | 0                  | 72,527                      | 0                  |
| Restricted Investments                  | <u>0</u>                   | <u>1,722</u>                    | <u>0</u>           | <u>1,722</u>                | <u>0</u>           |
| Total                                   | \$ <u>6,481,111</u>        | \$ <u>3,029,479</u>             | \$ <u>110,278</u>  | \$ <u>9,620,868</u>         | \$ <u>349,840</u>  |



CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments is as follows:

|  | <u>Primary<br/>Government</u> | <u>Component<br/>Units</u> |
|--|-------------------------------|----------------------------|
| Bank Deposits (Checking and Savings Accounts and<br>Certificates of Deposit) | \$ 5,790,815                  | \$ 349,840                 |
| Investments in Financial Institution Pooled Funds                            | 3,827,098                     | 0                          |
| Petty Cash and Cash on Hand  | <u>2,955</u>                  | <u>0</u>                   |
| Total  | <u>\$ 9,620,868</u>           | <u>\$ 349,840</u>          |

As of December 31, 2020, the Township had the following investments:

| <u>Investment Type</u>                  | <u>Fair<br/>Value</u> | <u>Specific Identification<br/>Maturities</u> |
|---|-----------------------|---|
| Primary Government:<br>Investment Pools | \$ <u>3,827,098</u>   | Daily   |

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 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 known cash requirements.

Credit Risk

State law authorizes investments in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a local government unit in Michigan. The Township's MBIA Asset Management Group investment pool is rated AAAM by Standard & Poors.

Custodial Credit Risk - Deposits - Primary Government

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 December 31, 2020, \$5,545,209 of the Township's bank balance of \$6,795,209 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Deposits - Component Unit

In the case of deposits, this is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. As of December 31, 2020, \$349,840 of the Oscoda-Wurtsmith Airport Local Development Finance Authority's bank balance of \$349,840 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 – Investments

For an investment, this 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.

The Township will minimize custodial credit risk, by; limiting investments to the types of securities approved in the Township's investment policy which is in accordance with State law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business.

Foreign Currency Risk

The Township's investment policy does not address foreign currency risk.

Investments

The Township Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Township to deposit and invest in the following:

- Accounts of federally insured banks, credit unions and savings and loan associations
- Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- United States government or federal agency obligation repurchase agreements
- Banker's acceptances of United States banks
- Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Township's deposits and investments are in accordance with statutory authority.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 4 - CAPITAL ASSETS

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

|                                       | Balance<br>01/01/20  | Additions         | Deletions          | Balance<br>12/31/20  |
|---------------------------------------|----------------------|-------------------|--------------------|----------------------|
| <u>Governmental Activities</u>        |                      |                   |                    |                      |
| Capital Assets Not Being Depreciated: |                      |                   |                    |                      |
| Land                                  | \$ 5,609,864         | \$ 0              | \$ 0               | \$ 5,609,864         |
| Construction in Progress              | 47,105               | 17,860            | (47,105)           | 17,860               |
| Subtotal                              | <u>5,656,969</u>     | <u>17,860</u>     | <u>(47,105)</u>    | <u>5,627,724</u>     |
| Capital Assets Being Depreciated:     |                      |                   |                    |                      |
| Land Improvements                     | 2,447,134            | 79,512            | 0                  | 2,526,646            |
| Buildings and Improvements            | 5,605,034            | 0                 | 0                  | 5,605,034            |
| Machinery and Equipment               | 815,282              | 280,419           | 0                  | 1,095,701            |
| Vehicles                              | 1,885,148            | 632,905           | (67,990)           | 2,450,063            |
| Subtotal                              | <u>10,752,598</u>    | <u>992,836</u>    | <u>(67,990)</u>    | <u>11,677,444</u>    |
| Less Accumulated Depreciation for:    |                      |                   |                    |                      |
| Land Improvements                     | (1,017,073)          | (79,117)          | 0                  | (1,096,190)          |
| Buildings and Improvements            | (2,215,158)          | (153,051)         | 0                  | (2,368,209)          |
| Machinery and Equipment               | (604,212)            | (72,198)          | 0                  | (676,410)            |
| Vehicles                              | (1,359,895)          | (165,441)         | 67,990             | (1,457,346)          |
| Subtotal                              | <u>(5,196,338)</u>   | <u>(469,807)</u>  | <u>67,990</u>      | <u>(5,598,155)</u>   |
| Capital Assets Being Depreciated      | <u>5,556,260</u>     | <u>523,029</u>    | <u>0</u>           | <u>6,079,289</u>     |
| Governmental Activities Total         |                      |                   |                    |                      |
| Capital Assets - Net of Depreciation  | <u>\$ 11,213,229</u> | <u>\$ 540,889</u> | <u>\$ (47,105)</u> | <u>\$ 11,707,013</u> |
| <br>                                  |                      |                   |                    |                      |
|                                       | Balance<br>01/01/20  | Additions         | Deletions          | Balance<br>12/31/20  |
| <u>Business-Type Activities</u>       |                      |                   |                    |                      |
| Capital Assets Not Being Depreciated: |                      |                   |                    |                      |
| Land                                  | \$ 22,885            | \$ 0              | \$ 0               | \$ 22,885            |
| Construction in Progress              | 715,823              | 223,828           | (715,823)          | 223,828              |
| Subtotal                              | <u>738,708</u>       | <u>223,828</u>    | <u>(715,823)</u>   | <u>246,713</u>       |
| Capital Assets Being Depreciated:     |                      |                   |                    |                      |
| Land Improvements                     | 209,301              | 0                 | 0                  | 209,301              |
| Buildings and Improvements            | 362,285              | 0                 | 0                  | 362,285              |
| Machinery and Equipment               | 872,119              | 97,586            | (10,507)           | 959,198              |
| Infrastructure                        | 14,546,027           | 2,304,425         | 0                  | 16,850,452           |
| Subtotal                              | <u>15,989,732</u>    | <u>2,402,011</u>  | <u>(10,507)</u>    | <u>18,381,236</u>    |

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 4 - CAPITAL ASSETS (CONTINUED)

|   | Balance<br>01/01/20 | Additions           | Deletions           | Balance<br>12/31/20  |
|---|---------------------|---------------------|---------------------|----------------------|
| <u>Business-Type Activities (Continued)</u> |                     |                     |                     |                      |
| Less Accumulated Depreciation for:          |                     |                     |                     |                      |
| Land Improvements                           | \$ (83,751)         | \$ (10,466)         | \$ 0                | \$ (94,217)          |
| Buildings and Improvements                  | (281,680)           | (16,329)            | 0                   | (298,009)            |
| Machinery and Equipment                     | (621,535)           | (70,619)            | 10,507              | (681,647)            |
| Infrastructure                              | (7,038,685)         | (283,276)           | 0                   | (7,321,961)          |
| Subtotal                                    | <u>(8,025,651)</u>  | <u>(380,690)</u>    | <u>10,507</u>       | <u>(8,395,834)</u>   |
| Capital Assets Being Depreciated            | <u>7,964,081</u>    | <u>2,021,321</u>    | <u>0</u>            | <u>9,985,402</u>     |
| Business-Type Activities Total              |                     |                     |                     |                      |
| Capital Assets - Net of Depreciation        | <u>\$ 8,702,789</u> | <u>\$ 2,245,149</u> | <u>\$ (715,823)</u> | <u>\$ 10,232,115</u> |

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

Governmental Activities

|                                    |               |
|------------------------------------|---------------|
| General Government                 | \$ 36,500     |
| Public Safety                      | 157,568       |
| Public Works                       | 39,962        |
| Community and Economic Development | 168,176       |
| Recreation and Cultural            | <u>67,601</u> |

Total Governmental Activities \$ 469,807

Business-Type Activities

|                  |               |
|------------------|---------------|
| Sewer            | \$ 199,076    |
| Water            | 156,915       |
| Old Orchard Park | <u>24,699</u> |

Total Business-Type Activities \$ 380,690

NOTE 5 - UNEARNED REVENUE

Governmental and Proprietary funds unearned revenue recognition is in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue are as follows:

Major Business-Type Activity Funds:

|                                   |                   |
|-----------------------------------|-------------------|
| Old Orchard Park Fund - User Fees | <u>\$ 108,109</u> |
|-----------------------------------|-------------------|

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 6 - LONG-TERM LIABILITIES

Primary Government:

|   | <u>Governmental</u> | <u>Business-Type</u>    |
|---|---------------------|-------------------------|
| <b>A. Bonds Payable</b>                     |                     |                         |
| 2011 Sewage Disposal System Refunding Bonds | \$ 0                | \$ 750,000              |
| Capital Improvement Bond, Series 2015A      | 0                   | 1,505,183               |
| Capital Improvement Bond, Series 2015B      | <u>0</u>            | <u>285,000</u>          |
| Total Bonds Payable                         | <u><u>0</u></u>     | <u><u>2,540,183</u></u> |

**B. Detailed Long-Term Debt Disclosures**

**Direct Borrowing**

Primary Government:

2011 Sewage Disposal System Refunding Bonds

\$2,024,000 Series 2011 Limited Tax General Obligation Sewage Disposal System Refunding Bonds, dated September 28, 2011 for the purpose of advance refunding the \$2,270,000 Sewage Disposal System Contract. The bonds bear interest at 2.89% and are due in bi-annual installments through 2024. The full faith and credit of the Township have been pledged for the prompt payment of the principal of and interest on this bond.

Capital Improvement Bond, Series 2015A

\$1,955,183 Capital Improvement Bond, Series 2015A, dated September 17, 2015, for the purpose of defraying the cost of acquiring and constructing improvements to the Township's sanitary sewer system. The bonds bear interest of 2.50% and are due in annual installments through 2036. In the event of default by the Township, the amount of the default shall bear interest at a rate equal to the rate of interest that is two percent above the lender's cost of providing funds (as determined by the lender), but in no event in excess of the maximum rate permitted by law. This additional interest shall accrue until the lender has been reimbursed for all costs incurred by the lender as a consequence of the default. Such additional interest is due upon the next interest payment date. The net revenues derived from users of the Township's sewer system and the full faith and credit of the Township have been pledged to the prompt payment of the principal of an interest on this bond. If insufficient, the bonds are a first budget obligation of the Township from its general funds.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

B. Detailed Long-Term Debt Disclosures (Continued)

Capital Improvement Bond, Series 2015B

\$530,000 Capital Improvement Bond, Series 2015B, dated September 17, 2015, for the purpose of defraying the cost of acquiring and constructing improvements to the Township's sanitary sewer system, comprised of Rip Rap improvements, and pay the costs of issuing the bonds. The bonds bear interest from 1.05% to 3.05% and are due in annual installments through 2025. In the event of default by the Township, the amount of the default shall bear interest at a rate equal to the rate of interest that is two percent above the lender's cost of providing funds (as determined by the lender), but in no event in excess of the maximum rate permitted by law. This additional interest shall accrue until the lender has been reimbursed for all costs incurred by the lender as a consequence of the default. Such additional interest is due upon the next interest payment date. The net revenues derived from users of the Township's sewer system and the full faith and credit of the Township have been pledged to the prompt payment of the principal of an interest on this bond. If insufficient, the bonds are a first budget obligation of the Township from its general funds.

C. Compensated Absences Payable

The Township has an accrued liability for accumulated vested vacation and sick leave benefits of its employees. As of December 31, 2020, the accumulated vested vacation and sick leave benefits of the employees of various Township departments were as follows:

|  | Current<br>Liability | Long-Term<br>Liability | Total Balance     |
|--|----------------------|------------------------|-------------------|
|  | <u>12/31/20</u>      | <u>12/31/20</u>        | <u>12/31/20</u>   |
| <u>Accrued Employee Benefits Payable</u> |                      |                        |                   |
| <u>Primary Government</u>                |                      |                        |                   |
| Governmental Activities                  | \$ 0                 | \$ 119,357             | \$ 119,357        |
| Business-Type Activities                 | <u>0</u>             | <u>16,417</u>          | <u>16,417</u>     |
|  | <u>\$ 0</u>          | <u>\$ 135,774</u>      | <u>\$ 135,774</u> |

The employment policies for accumulation of vacation and sick leave benefits vary based on union membership and employee group.

D. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the Township for the year ended December 31, 2020:

|                                | Balance<br><u>01/01/20</u> | Issues or<br><u>Additions</u> | Payments or<br><u>Expenditures</u> | Balance<br><u>12/31/20</u> | Due Within<br><u>One Year</u> |
|--------------------------------|----------------------------|-------------------------------|------------------------------------|----------------------------|-------------------------------|
| <u>Governmental Activities</u> |                            |                               |                                    |                            |                               |
| Primary Government:            |                            |                               |                                    |                            |                               |
| Compensated Absences           | \$ <u>103,495</u>          | \$ <u>15,862</u> *            | \$ <u>0</u>                        | \$ <u>119,357</u>          | \$ <u>0</u>                   |

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

**NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)**

**D. Changes in Long-Term Liabilities (Continued)**

|  | Balance<br>01/01/20 | Issues or<br>Additions | Payments or<br>Expenditures | Balance<br>12/31/20 | Due Within<br>One Year |
|--|---------------------|------------------------|-----------------------------|---------------------|------------------------|
| <b><u>Business-Type Activities</u></b> |                     |                        |                             |                     |                        |
| Primary Government:                    |                     |                        |                             |                     |                        |
| Direct Borrowing:                      |                     |                        |                             |                     |                        |
| Bonds Payable                          | \$ 2,828,183        | \$ 0                   | \$ (288,000)                | \$ 2,540,183        | \$ 307,000             |
| Compensated Absences                   | <u>12,782</u>       | <u>3,635 *</u>         | <u>0</u>                    | <u>16,417</u>       | <u>0</u>               |
| Total Primary Government               | <u>\$ 2,840,965</u> | <u>\$ 3,635</u>        | <u>\$ (288,000)</u>         | <u>\$ 2,556,600</u> | <u>\$ 307,000</u>      |

\*Represents net of additions and retirements for the year.

The interest expense on long-term obligations for the year was \$70,623.

Compensated absences for the governmental funds are generally liquidated by the General Fund.

The annual aggregate maturities for all debt outstanding (excluding compensated absences) as of December 31, 2020 are as follows:

**Direct Borrowing:**

**Primary Government**

| Bonds Payable | <u>Governmental Activities</u> |                 | <u>Business-Type Activities</u> |                   | <u>Total</u>        |
|---------------|--------------------------------|-----------------|---------------------------------|-------------------|---------------------|
|               | <u>Principal</u>               | <u>Interest</u> | <u>Principal</u>                | <u>Interest</u>   |                     |
| 2021          | \$ 0                           | \$ 0            | \$ 307,000                      | \$ 64,002         | \$ 371,002          |
| 2022          | 0                              | 0               | 315,000                         | 55,845            | 370,845             |
| 2023          | 0                              | 0               | 328,000                         | 47,214            | 375,214             |
| 2024          | 0                              | 0               | 350,000                         | 38,095            | 388,095             |
| 2025          | 0                              | 0               | 145,000                         | 29,705            | 174,705             |
| 2026 - 2030   | 0                              | 0               | 465,000                         | 104,433           | 569,433             |
| 2031 - 2035   | 0                              | 0               | 520,000                         | 40,341            | 560,341             |
| 2036          | <u>0</u>                       | <u>0</u>        | <u>110,183</u>                  | <u>565</u>        | <u>110,748</u>      |
| Total         | <u>\$ 0</u>                    | <u>\$ 0</u>     | <u>\$ 2,540,183</u>             | <u>\$ 380,200</u> | <u>\$ 2,920,383</u> |

**NOTE 7 - 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 1 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 County tax rolls. For the December 1, 2019 levy, which is considered to be revenue for the 2020 fiscal year, the taxable value for properties located within the Township was \$296,525,412. The 2019 tax rates are currently 4.6908 mills for operating, .9000 for fire equipment, .0989 for seniors, .8000 for police, and .7000 for police staffing.



CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

**NOTE 8 - OPERATING TRANSFERS**

During the year ended December 31, 2020, the following transfers were made:

| Transfer to                  | Transfer from       |  |                            |                  |                          | Total               |
|------------------------------|---------------------|--|----------------------------|------------------|--------------------------|---------------------|
|                              | General Fund        | Property<br>Operation and<br>Maintenance<br>Fund | Sewage<br>Disposal<br>Fund | Water Fund       | Old Orchard<br>Park Fund |                     |
| General Fund                 | \$ 0                | \$ 48,085  | \$ 45,000                  | \$ 45,000        | \$ 129,015               | \$ 267,100          |
| Police Fund                  | 1,004,050           | 0  | 0                          | 0                | 0                        | 1,004,050           |
| Non-major Governmental Funds | 13,574              | 0  | 0                          | 0                | 60,000                   | 73,574              |
|                              | <u>\$ 1,017,624</u> | <u>\$ 48,085</u>                                 | <u>\$ 45,000</u>           | <u>\$ 45,000</u> | <u>\$ 189,015</u>        | <u>\$ 1,344,724</u> |

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 9 - RETIREMENT SYSTEM - MERS OPERATED**

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

Benefits Provided

02 - Police: Open Division

|                               | 2019 Valuation  |
|-------------------------------|---|
| Benefit Multiplier:           | Bridged Benefit: 2.50% Multiplier<br>(80% max) Frozen FAC; to 2.25%<br>Multiplier (80% max) |
| Normal Retirement Age:        | 60  |
| Vesting:                      | 10 years  |
| Early Retirement (Unreduced): | 25 and Out  |
| Early Retirement (Reduced):   | 55/15   |
| Final Average Compensation:   | 5 years   |
| COLA for Future Retirees:     | 2.50% (Non-Compound)  |
| Employee Contributions:       | 7%  |
| Act 88:                       | No  |

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 9 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

20 - Pol Chief: Closed to new hires

|                               | <u>2019 Valuation</u>      |
|-------------------------------|----------------------------|
| Benefit Multiplier:           | 2.50% Multiplier (80% max) |
| Normal Retirement Age:        | 60                         |
| Vesting:                      | 10 years                   |
| Early Retirement (Unreduced): | 50/25                      |
| Early Retirement (Reduced):   | 55/15                      |
| Final Average Compensation:   | 5 years                    |
| Employee Contributions:       | 4.04%                      |
| Act 88:                       | No                         |

Employees Covered by Benefit Terms

At the December 31, 2019 valuation date, the following employees were covered by the benefit terms:

|  |           |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 12        |
| Inactive employees entitled to but not yet receiving benefits    | 7         |
| Active employees   | 10        |
| Pending refunds  | 4         |
|  | <u>33</u> |

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions were \$1,564 per month for the closed division and 26.26% of annual payroll for the open division.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2019, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.00% in the long-term, plus a percentage based on an age-related scale to reflect merit, longevity, and promotional pay increases

Investment rate of return: 7.35%, net of administrative and investment expenses, including inflation

Although no explicit price inflation assumption is used in the valuation, the long-term annual rate of price inflation implicit in the 3.00% base wage inflation is 2.5% annually.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 9 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study of 2009-2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>  | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Gross<br/>Return</u> | <u>Long-Term<br/>Expected Gross<br/>Rate of Return</u> | <u>Inflation<br/>Assumption</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|---------------------|------------------------------|--|--|---------------------------------|---|
| Global Equity       | 60.0%                        | 7.75%  | 4.65%  | 2.50%                           | 3.15%   |
| Global Fixed Income | 20.0%                        | 3.75%  | 0.75%  | 2.50%                           | 0.25%   |
| Private Investments | 20.0%                        | 9.75%  | 1.95%  | 2.50%                           | 1.45%   |
| Total               | <u>100.0%</u>                |  | <u>7.35%</u>   |                                 | <u>4.85%</u>  |

Discount Rate

The discount rate used to measure the total pension liability is 7.6%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be shown gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 9 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Changes in Net Pension Liability

| Calculating the Net Pension Liability             |                                |                                    |                                  |
|---|--------------------------------|------------------------------------|----------------------------------|
|   | Increase (Decrease)            |                                    |                                  |
|   | Total Pension<br>Liability (a) | Plan Fiduciary Net<br>Position (b) | Net Pension<br>Liability (a)-(b) |
| Balances at 12/31/19                              | \$ 4,496,322                   | \$ 2,804,455                       | \$ 1,691,867                     |
| Changes for the Year                              |                                |                                    |                                  |
| Service Cost                                      | 78,546                         | 0                                  | 78,546                           |
| Interest on Total Pension Liability               | 351,511                        | 0                                  | 351,511                          |
| Changes in benefits                               | 0                              | 0                                  | 0                                |
| Difference between expected and actual experience | 153,025                        | 0                                  | 153,025                          |
| Changes in assumptions                            | 178,830                        | 0                                  | 178,830                          |
| Employer contributions                            | 0                              | 184,546                            | (184,546)                        |
| Employee contributions                            | 0                              | 44,191                             | (44,191)                         |
| Net investment income                             | 0                              | 355,050                            | (355,050)                        |
| Benefit payments, including employee refunds      | (283,416)                      | (283,416)                          | 0                                |
| Administrative expense                            | 0                              | (5,611)                            | 5,611                            |
| Other changes                                     | (19,407)                       | 0                                  | (19,407)                         |
| Net changes                                       | 459,089                        | 294,760                            | 164,329                          |
| Balances as of 12/31/20                           | \$ 4,955,411                   | \$ 3,099,215                       | \$ 1,856,196                     |

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.6%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.6%) or 1% higher (8.6%) than the current rate.

|                                  | 1% Decrease<br>(6.6%) | Current Discount<br>Rate (7.6%) | 1% Increase<br>(8.6%) |
|----------------------------------|-----------------------|---------------------------------|-----------------------|
| Township's net pension liability | \$ 2,492,994          | \$ 1,856,196                    | \$ 1,330,300          |

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 9 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2020, the employer recognized pension expense of \$229,745. The employer reported deferred outflows of resources related to pensions from the following sources:

|                            | <u>Deferred Outflows of<br/>Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|----------------------------|---|--|
| Excess Investment Returns  | \$ 0                                      | \$ 89,164                                |
| Differences in Experience  | 136,010                                   | 0  |
| Differences in Assumptions | <u>134,122</u>                            | <u>0</u>                                 |
| Total                      | <u>\$ 270,132</u>                         | <u>\$ 89,164</u>                         |

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

| <u>Year Ended</u> | <u>Pension Expense</u> |
|-------------------|------------------------|
| 2021              | \$ 79,409              |
| 2022              | 99,957                 |
| 2023              | 28,223                 |
| 2024              | (26,621)               |

NOTE 10 - RETIREMENT PLAN - DEFINED CONTRIBUTION

The Township has adopted a defined contribution pension plan covering all full-time employees administered by Security Benefits. Eligibility to become a participant is limited to those employees who, on the effective date or on any anniversary date, are not on leave of absence and have attained age twenty-one.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

Contributions made by the Township vest immediately. The Township is required to contribute an amount equal to 10% of the employee's base pay.

During the year, the Township's required and actual contributions amounted to \$74,230, which was 10% of its current-year covered payroll.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 11 - DEFERRED COMPENSATION PLAN

The Township offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code (IRC) Section 457. The assets of the plans are held in trust, in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the Township for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Township's financial statements.

NOTE 12 - UNEMPLOYMENT COMPENSATION

The Township is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Township must reimburse the Employment Agency for all benefits charged against the Township. Accrued unemployment compensation was \$29,711 as of December 31, 2020.

NOTE 13 - LEASE COMMITMENTS

The Township has entered into a lease agreement with Consumers Energy for the rental of Old Orchard Park Campground and boating access facilities. The lease is for a period of 20 years at an amount not to exceed \$5,000 per year based on expenses the lessor has incurred in administering the terms of the lease. In addition, the Township shall pay all taxes, assessments and other public charges levied on the leased premises during each year that the lease is in effect. The Township must also contribute \$20,000 per year to a capital improvement account until a maximum balance of \$100,000 is achieved. The Annual Capital Contribution and Capital Fund Cap shall be adjusted on each 5 year anniversary date of this lease to reflect the change in the Consumer Price Index. Upon termination of this lease, any balance remaining in this capital account becomes the property of Consumers Energy. The Township met all these requirements for the year ended December 31, 2020.

NOTE 14 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries, as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits claims, general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Township was a defendant in one lawsuit at year end. Although the outcome of this lawsuit is not presently determinable, the Township's attorney believes there is some financial exposure. However, the amount of any damages cannot be reasonably determined at this time.

NOTE 15 - CONTINGENCIES

The Township participates in a number of federally assisted grant programs which are subject to program compliance audits. The audits of these programs for and including the year ended December 31, 2020, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the Township expects such amounts, if any, to be immaterial.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 16 - IDLE IMPAIRED CAPITAL ASSETS

The Artisan Hall was closed down in the prior year and is currently listed for sale. The carrying value of the land and building at December 31, 2020 was \$173,466. As of December 31, 2020, the carrying value was only minimally higher than the estimated fair value of \$172,300. Therefore, no current year impairment loss was required.

NOTE 17 - PRIOR PERIOD ADJUSTMENT

The following prior period adjustments were required to adjust the balances as of December 31, 2019:

Adjustment 1 - The Township overbilled a customer for tap-in fees in both the Sewage Disposal Fund and the Water Fund in a prior year that was refunded in the current year, necessitating a prior period adjustment to reduce beginning net position.

|  | <u>Primary Government</u>            |                                 |                     |
|--|--------------------------------------|---------------------------------|---------------------|
|  | <u>Business-<br/>Type Activities</u> | <u>Sewage<br/>Disposal Fund</u> | <u>Water Fund</u>   |
| Net Position/Fund Balance - Beginning            | \$ 13,509,557                        | \$ 2,839,093                    | \$ 9,964,443        |
| Adjustment 1                                     | <u>(34,468)</u>                      | <u>(32,000)</u>                 | <u>(2,468)</u>      |
| Net Position/Fund Balance - Beginning (Restated) | <u>\$ 13,475,089</u>                 | <u>\$ 2,807,093</u>             | <u>\$ 9,961,975</u> |

NOTE 18 - SUBSEQUENT EVENTS

On January 11, 2021, the Township approved paying \$77,490 for two Police Tahoes.

On February 8, 2021, the Township approved \$156,375 for the purchase of SCADA integration services through UIS SCADA, Inc as part of the Sanitary Sewer Pump Station Rehabilitation Project.

On February 22, 2021, the Township accepted the offer of \$200,000 with a \$10,000 deposit for the sale of the Artisan Hall. Additionally, the Township approved the Old Orchard Park Shoreline Erosion Project at a cost of \$98,000. The Township also approved committing \$200,000 in matching funding for Phase 3 of the Iosco Exploration Trail, which is to be funded through a matching USDA Rural Business Development Grant.

On March 8, 2021, the Township approved a purchase agreement for parcel number 088-19-0075, which is 227 E. River Rd. in the amount of \$145,000.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020

NOTE 19 - COMMITMENTS

The Township has contractual commitments in the amount of \$994,617 outstanding at December 31, 2020.

As of December 31, 2020, the Township had the following commitments outstanding:

| <u>Project</u>  | <u>Total Contract</u> | <u>Remaining<br/>Commitment at<br/>December 31, 2020</u> | <u>Contract Payable at<br/>December 31, 2020</u> |
|---|-----------------------|--|--|
| Sanitary Sewer System Improvements<br>Design and Construction Engineering -<br>Rowe Professional Services Company   | \$ 769,600            | \$ 682,770   | \$ 25,432  |
| Water Main Improvements Phases A & B<br>Design and Construction Engineering -<br>Rowe Professional Services Company | 217,365               | 80,367   | 87,068   |
| Water Main Improvements Phase G<br>Design and Construction Engineering -<br>Rowe Professional Services Company      | <u>231,480</u>        | <u>231,480</u>   | <u>0</u>   |
| Total   | <u>\$ 1,218,445</u>   | <u>\$ 994,617</u>  | <u>\$ 112,500</u>                                |



REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

SCHEDULE OF CHANGES IN EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
For the Year Ended December 31, 2020

|  | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability  |                     |                     |                     |                     |                     |                     |
| Service cost   | \$ 78,546           | \$ 82,743           | \$ 73,703           | \$ 77,609           | \$ 65,962           | \$ 77,520           |
| Interest   | 351,511             | 339,202             | 328,005             | 339,416             | 318,286             | 307,839             |
| Changes of benefit terms   | 0                   | 0                   | (6,110)             | (341,131)           | 0                   | 0                   |
| Difference between expected and actual experience                            | 153,025             | 31,401              | 22,163              | 60,026              | 69,639              | 0                   |
| Changes of assumptions   | 178,830             | 0                   | 0                   | 0                   | 206,315             | 0                   |
| Benefit payments, including employee refunds                                 | (283,416)           | (280,320)           | (274,929)           | (270,686)           | (266,619)           | (240,015)           |
| Other  | (19,407)            | (15,513)            | (4,698)             | (3,799)             | (12,678)            | 357                 |
| Net Change in Total Pension Liability  | 459,089             | 157,513             | 138,134             | (138,565)           | 380,905             | 145,701             |
| Total Pension Liability - Beginning  | <u>4,496,322</u>    | <u>4,338,809</u>    | <u>4,200,675</u>    | <u>4,339,240</u>    | <u>3,958,335</u>    | <u>3,812,634</u>    |
| Total Pension Liability - Ending   | <u>\$ 4,955,411</u> | <u>\$ 4,496,322</u> | <u>\$ 4,338,809</u> | <u>\$ 4,200,675</u> | <u>\$ 4,339,240</u> | <u>\$ 3,958,335</u> |
| Plan Fiduciary Net Position  |                     |                     |                     |                     |                     |                     |
| Employer contributions   | \$ 184,546          | \$ 174,801          | \$ 139,052          | \$ 146,491          | \$ 117,485          | \$ 125,215          |
| Employee contributions   | 44,191              | 45,060              | 37,008              | 30,844              | 24,770              | 25,904              |
| Net investment income  | 355,050             | 340,371             | (104,452)           | 327,316             | 264,570             | (36,992)            |
| Benefit payments, including employee refunds                                 | (283,416)           | (280,320)           | (274,929)           | (270,686)           | (266,619)           | (240,015)           |
| Administrative expense   | (5,611)             | (5,861)             | (5,233)             | (5,189)             | (5,226)             | (5,416)             |
| Other  | 0                   | 0                   | 0                   | 1                   | 0                   | 0                   |
| Net Change in Plan Fiduciary Net Position                                    | 294,760             | 274,051             | (208,554)           | 228,777             | 134,980             | (131,304)           |
| Plan Fiduciary Net Position - Beginning                                      | <u>2,804,455</u>    | <u>2,530,404</u>    | <u>2,738,958</u>    | <u>2,510,181</u>    | <u>2,375,201</u>    | <u>2,506,505</u>    |
| Plan Fiduciary Net Position - Ending   | <u>\$ 3,099,215</u> | <u>\$ 2,804,455</u> | <u>\$ 2,530,404</u> | <u>\$ 2,738,958</u> | <u>\$ 2,510,181</u> | <u>\$ 2,375,201</u> |
| Employer Net Pension Liability   | <u>\$ 1,856,196</u> | <u>\$ 1,691,867</u> | <u>\$ 1,808,405</u> | <u>\$ 1,461,717</u> | <u>\$ 1,829,059</u> | <u>\$ 1,583,134</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability   | 63%                 | 62%                 | 58%                 | 65%                 | 58%                 | 60%                 |
| Covered Employee Payroll   | \$ 605,653          | \$ 569,253          | \$ 517,398          | \$ 495,390          | \$ 435,057          | \$ 529,984          |
| Employer's Net Pension Liability as a Percentage of Covered Employee Payroll | 306%                | 297%                | 350%                | 295%                | 420%                | 299%                |

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
For the Year Ended December 31, 2020

|  | <u>2020</u>    | <u>2019</u>    | <u>2018</u>       | <u>2017</u>        | <u>2016</u>    | <u>2015</u>    |
|--|----------------|----------------|-------------------|--------------------|----------------|----------------|
| Actuarially determined contributions                                 | \$ 184,546     | \$ 174,801     | \$ 134,788        | \$ 136,440         | \$ 117,485     | \$ 125,215     |
| Contributions in relation to the actuarially determined contribution | <u>184,546</u> | <u>174,801</u> | <u>139,052</u>    | <u>146,491</u>     | <u>117,485</u> | <u>125,215</u> |
| Contribution deficiency (excess)                                     | \$ <u>0</u>    | \$ <u>0</u>    | \$ <u>(4,264)</u> | \$ <u>(10,051)</u> | \$ <u>0</u>    | \$ <u>0</u>    |
| Covered employee payroll   | \$ 605,653     | \$ 569,253     | \$ 517,398        | \$ 495,390         | \$ 435,057     | \$ 529,984     |
| Contributions as a percentage of covered employee payroll            | 30%            | 31%            | 27%               | 30%                | 27%            | 24%            |

**Notes to Schedule**

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age  |
| Amortization method           | Level percentage of payroll, closed  |
| Remaining amortization period | 19 years for the open plan and 10 years for the closed plan  |
| Asset valuation method        | 5 year smoothed  |
| Inflation                     | 2.5%   |
| Salary increases              | 3.00%  |
| Investment rate of return     | 7.35%  |
| Retirement age                | 60; 50 with 25 years of service, unreduced, or 55 with 15 years of service, reduced, for the closed plan.<br>60; 25 years of service and out, unreduced, or 55 with 15 years of service, reduced, for the open plan. |
| Mortality                     | 50% Female/50% Male - RP-2014 Group Annuity Mortality Table  |

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended December 31, 2020

|   | Original<br>Budget  | Final<br>Amended<br>Budget | Actual              | Variance -<br>Favorable<br>(Unfavorable) |
|---|---------------------|----------------------------|---------------------|--|
| <u>Revenue</u>                              |                     |                            |                     |  |
| Property Taxes                              | \$ 1,500,422        | \$ 1,500,422               | \$ 1,534,031        | \$ 33,609                                |
| Property Taxes - Senior Center              | 26,500              | 26,500                     | 28,675              | 2,175                                    |
| Federal Grants and Revenue                  | 0                   | 0                          | 33,174              | 33,174                                   |
| State Grants and Revenue                    | 599,100             | 599,100                    | 679,028             | 79,928                                   |
| Charges for Services                        | 695,021             | 695,021                    | 521,778             | (173,243)                                |
| Interest and Rentals                        | 15,500              | 15,500                     | 26,080              | 10,580                                   |
| Special Assessments                         | 70,000              | 70,000                     | 49,674              | (20,326)                                 |
| Other Revenue                               | 17,550              | 17,550                     | 31,093              | 13,543                                   |
| Total Revenue                               | <u>2,924,093</u>    | <u>2,924,093</u>           | <u>2,903,533</u>    | <u>(20,560)</u>                          |
| <u>Expenditures</u>                         |                     |                            |                     |  |
| Current:                                    |                     |                            |                     |  |
| General Government:                         |                     |                            |                     |  |
| Legislative                                 | 24,450              | 24,450                     | 19,548              | 4,902                                    |
| Chief Executive                             | 198,457             | 198,458                    | 185,019             | 13,439                                   |
| Financial and Tax Administration            | 505,455             | 505,454                    | 482,292             | 23,162                                   |
| Other General Government                    | 515,340             | 535,777                    | 417,593             | 118,184                                  |
| Public Safety                               | 155,150             | 198,359                    | 162,365             | 35,994                                   |
| Public Works                                | 100,000             | 100,000                    | 97,377              | 2,623                                    |
| Community and Economic Development          | 221,275             | 218,811                    | 179,370             | 39,441                                   |
| Recreation and Cultural                     | 370,479             | 401,766                    | 288,810             | 112,956                                  |
| Capital Outlay                              | 44,050              | 104,304                    | 96,796              | 7,508                                    |
| Total Expenditures                          | <u>2,134,656</u>    | <u>2,287,379</u>           | <u>1,929,170</u>    | <u>358,209</u>                           |
| Excess of Revenue Over (Under) Expenditures | <u>789,437</u>      | <u>636,714</u>             | <u>974,363</u>      | <u>337,649</u>                           |
| <u>Other Financing Sources (Uses)</u>       |                     |                            |                     |  |
| Sale of Capital Assets                      | 3,000               | 3,000                      | 18,200              | 15,200                                   |
| Operating Transfers In                      | 267,100             | 267,100                    | 267,100             | 0  |
| Operating Transfers Out                     | (1,017,624)         | (1,017,624)                | (1,017,624)         | 0  |
| Total Other Financing Sources (Uses)        | <u>(747,524)</u>    | <u>(747,524)</u>           | <u>(732,324)</u>    | <u>15,200</u>                            |
| Net Change in Fund Balances                 | 41,913              | (110,810)                  | 242,039             | 352,849                                  |
| Fund Balances - Beginning of Year           | <u>2,289,285</u>    | <u>2,289,285</u>           | <u>2,289,285</u>    | <u>0</u>                                 |
| Fund Balances - End of Year                 | <u>\$ 2,331,198</u> | <u>\$ 2,178,475</u>        | <u>\$ 2,531,324</u> | <u>\$ 352,849</u>                        |

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 PROPERTY OPERATION AND MAINTENANCE FUND - SPECIAL REVENUE FUND  
For the Year Ended December 31, 2020

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Amended<br/>Budget</u> | <u>Actual</u>       | <u>Variance -<br/>Favorable<br/>(Unfavorable)</u> |
|---|----------------------------|-------------------------------------|---------------------|---|
| <u>Revenue</u>                              |                            |                                     |                     |   |
| Interest and Rentals                        | \$ 403,545                 | \$ 403,545                          | \$ 381,172          | \$ (22,373)                                       |
| Other Revenue                               | <u>0</u>                   | <u>0</u>                            | <u>2,711</u>        | <u>2,711</u>                                      |
| Total Revenue                               | <u>403,545</u>             | <u>403,545</u>                      | <u>383,883</u>      | <u>(19,662)</u>                                   |
| <u>Expenditures</u>                         |                            |                                     |                     |   |
| Current:                                    |                            |                                     |                     |   |
| Community and Economic Development          | 386,275                    | 382,850                             | 301,192             | 81,658  |
| Capital Outlay                              | <u>162,000</u>             | <u>214,075</u>                      | <u>201,679</u>      | <u>12,396</u>                                     |
| Total Expenditures                          | <u>548,275</u>             | <u>596,925</u>                      | <u>502,871</u>      | <u>94,054</u>                                     |
| Excess of Revenue Over (Under) Expenditures | (144,730)                  | (193,380)                           | (118,988)           | 74,392  |
| <u>Other Financing Sources (Uses)</u>       |                            |                                     |                     |   |
| Operating Transfers Out                     | <u>(48,085)</u>            | <u>(48,085)</u>                     | <u>(48,085)</u>     | <u>0</u>  |
| Net Change in Fund Balances                 | (192,815)                  | (241,465)                           | (167,073)           | 74,392  |
| Fund Balances - Beginning of Year           | <u>2,850,262</u>           | <u>2,850,262</u>                    | <u>2,850,262</u>    | <u>0</u>  |
| Fund Balances - End of Year                 | <u>\$ 2,657,447</u>        | <u>\$ 2,608,797</u>                 | <u>\$ 2,683,189</u> | <u>\$ 74,392</u>                                  |

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
POLICE FUND - SPECIAL REVENUE FUND  
For the Year Ended December 31, 2020

|                                       | Original<br>Budget | Final<br>Amended<br>Budget | Actual            | Variance -<br>Favorable<br>(Unfavorable) |
|---------------------------------------|--------------------|----------------------------|-------------------|--|
| <u>Revenue</u>                        |                    |                            |                   |  |
| Property Taxes                        | \$ 237,828         | \$ 237,828                 | \$ 237,631        | \$ (197)                                 |
| Federal Grants and Revenue            | 0                  | 0                          | 28,900            | 28,900                                   |
| State Grants and Revenue              | 0                  | 0                          | 8,972             | 8,972                                    |
| Fines and Forfeits                    | 1,300              | 1,300                      | 5,880             | 4,580                                    |
| Interest and Rentals                  | 1,300              | 1,300                      | 2,140             | 840                                      |
| Other Revenue                         | 300                | 300                        | 3,230             | 2,930                                    |
| Total Revenue                         | <u>240,728</u>     | <u>240,728</u>             | <u>286,753</u>    | <u>46,025</u>                            |
| <u>Expenditures</u>                   |                    |                            |                   |  |
| Current:                              |                    |                            |                   |  |
| Public Safety                         | 1,190,278          | 1,194,485                  | 1,137,493         | 56,992                                   |
| Capital Outlay                        | 54,500             | 110,836                    | 104,425           | 6,411                                    |
| Total Expenditures                    | <u>1,244,778</u>   | <u>1,305,321</u>           | <u>1,241,918</u>  | <u>63,403</u>                            |
| Excess of Revenue Over Expenditures   | <u>(1,004,050)</u> | <u>(1,064,593)</u>         | <u>(955,165)</u>  | <u>109,428</u>                           |
| <u>Other Financing Sources (Uses)</u> |                    |                            |                   |  |
| Sale of Capital Assets                | 0                  | 0                          | 3,462             | 3,462                                    |
| Operating Transfers In                | 1,004,050          | 1,004,050                  | 1,004,050         | 0  |
| Total Other Financing Sources (Uses)  | <u>1,004,050</u>   | <u>1,004,050</u>           | <u>1,007,512</u>  | <u>3,462</u>                             |
| Net Change in Fund Balances           | 0                  | (60,543)                   | 52,347            | 112,890                                  |
| Fund Balances - Beginning of Year     | <u>198,471</u>     | <u>198,471</u>             | <u>198,471</u>    | <u>0</u>                                 |
| Fund Balances - End of Year           | <u>\$ 198,471</u>  | <u>\$ 137,928</u>          | <u>\$ 250,818</u> | <u>\$ 112,890</u>                        |

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FIRE EQUIPMENT FUND - SPECIAL REVENUE FUND  
For the Year Ended December 31, 2020

|                                     | Original<br>Budget | Final<br>Amended<br>Budget | Actual            | Variance -<br>Favorable<br>(Unfavorable) |
|-------------------------------------|--------------------|----------------------------|-------------------|--|
| <u>Revenue</u>                      |                    |                            |                   |  |
| Property Taxes                      | \$ 267,557         | \$ 267,557                 | \$ 267,345        | \$ (212)                                 |
| Charges for Services                | 153,374            | 153,374                    | 167,901           | 14,527                                   |
| Interest and Rentals                | <u>0</u>           | <u>0</u>                   | <u>2,303</u>      | <u>2,303</u>                             |
| Total Revenue                       | 420,931            | 420,931                    | 437,549           | 16,618                                   |
| <u>Expenditures</u>                 |                    |                            |                   |  |
| Capital Outlay                      | <u>625,000</u>     | <u>625,000</u>             | <u>541,869</u>    | <u>83,131</u>                            |
| Excess of Revenue Over Expenditures | (204,069)          | (204,069)                  | (104,320)         | 99,749                                   |
| Fund Balances - Beginning of Year   | <u>417,399</u>     | <u>417,399</u>             | <u>417,399</u>    | <u>0</u>                                 |
| Fund Balances - End of Year         | <u>\$ 213,330</u>  | <u>\$ 213,330</u>          | <u>\$ 313,079</u> | <u>\$ 99,749</u>                         |

## OTHER INFORMATION



CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2020

|   | Special Revenue Funds       |                        |                         |  |                               |                   |                                 |                                      |
|---|-----------------------------|------------------------|-------------------------|--|-------------------------------|-------------------|---------------------------------|--------------------------------------|
|   | Road<br>Improvement<br>Fund | Forest<br>Reserve Fund | Police<br>Staffing Fund | Old Orchard<br>Park<br>Improvement<br>Fund | Public<br>Improvement<br>Fund | Library Fund      | Drug Law<br>Enforcement<br>Fund | Total Other<br>Governmental<br>Funds |
| <u>Assets</u>   |                             |                        |                         |  |                               |                   |                                 |                                      |
| Cash and Cash Equivalents   | \$ 77,543                   | \$ 27,937              | \$ 53,772               | \$ 17,807                                  | \$ 56,999                     | \$ 119,037        | \$ 4                            | \$ 353,099                           |
| Investments   | 0                           | 4,833                  | 0                       | 60,113                                     | 63,296                        | 0                 | 0                               | 128,242                              |
| Receivables:  |                             |                        |                         |  |                               |                   |                                 |                                      |
| Property Taxes  | 0                           | 0                      | 188,530                 | 0  | 0                             | 0                 | 0                               | 188,530                              |
| Due from Local Units  | 0                           | 11,600                 | 0                       | 0  | 0                             | 0                 | 0                               | 11,600                               |
| Due from State  | 0                           | 0                      | 434                     | 0  | 0                             | 0                 | 0                               | 434                                  |
| Prepaid Items   | 0                           | 0                      | 2,286                   | 0  | 0                             | 0                 | 1,275                           | 3,561                                |
| Restricted Assets:  |                             |                        |                         |  |                               |                   |                                 |                                      |
| Cash and Cash Equivalents   | 0                           | 0                      | 0                       | 25,566                                     | 0                             | 0                 | 0                               | 25,566                               |
| <b>Total Assets</b>   | <b>\$ 77,543</b>            | <b>\$ 44,370</b>       | <b>\$ 245,022</b>       | <b>\$ 103,486</b>                          | <b>\$ 120,295</b>             | <b>\$ 119,037</b> | <b>\$ 1,279</b>                 | <b>\$ 711,032</b>                    |
| <u>Liabilities</u>  |                             |                        |                         |  |                               |                   |                                 |                                      |
| Accounts Payable  | \$ 0                        | \$ 0                   | \$ 608                  | \$ 0                                       | \$ 0                          | \$ 11,147         | \$ 0                            | \$ 11,755                            |
| Due to Other Units of Government  | 0                           | 0                      | 354                     | 0  | 0                             | 0                 | 0                               | 354                                  |
| Accrued Liabilities   | 0                           | 0                      | 8,292                   | 0  | 0                             | 3,105             | 0                               | 11,397                               |
| <b>Total Liabilities</b>  | <b>0</b>                    | <b>0</b>               | <b>9,254</b>            | <b>0</b>                                   | <b>0</b>                      | <b>14,252</b>     | <b>0</b>                        | <b>23,506</b>                        |
| <u>Deferred Inflows of Resources</u>                                    |                             |                        |                         |  |                               |                   |                                 |                                      |
| Property Taxes Levied for Next Year                                     | 0                           | 0                      | 213,402                 | 0  | 0                             | 0                 | 0                               | 213,402                              |
| Unavailable Revenue - Timber Payment                                    | 0                           | 11,600                 | 0                       | 0  | 0                             | 0                 | 0                               | 11,600                               |
| <b>Total Deferred Inflows of Resources</b>                              | <b>0</b>                    | <b>11,600</b>          | <b>213,402</b>          | <b>0</b>                                   | <b>0</b>                      | <b>0</b>          | <b>0</b>                        | <b>225,002</b>                       |
| <u>Fund Equity</u>  |                             |                        |                         |  |                               |                   |                                 |                                      |
| Fund Balances:  |                             |                        |                         |  |                               |                   |                                 |                                      |
| Nonspendable:   |                             |                        |                         |  |                               |                   |                                 |                                      |
| Prepaid Items   | 0                           | 0                      | 2,286                   | 0  | 0                             | 0                 | 1,275                           | 3,561                                |
| Restricted For:   |                             |                        |                         |  |                               |                   |                                 |                                      |
| Capital Projects  | 0                           | 0                      | 0                       | 0  | 118,670                       | 0                 | 0                               | 118,670                              |
| Drug Enforcement  | 0                           | 0                      | 0                       | 0  | 0                             | 0                 | 4                               | 4                                    |
| Library Activities  | 0                           | 0                      | 0                       | 0  | 0                             | 104,785           | 0                               | 104,785                              |
| Cemetery  | 0                           | 0                      | 0                       | 0  | 1,625                         | 0                 | 0                               | 1,625                                |
| Road Improvement  | 77,543                      | 0                      | 0                       | 0  | 0                             | 0                 | 0                               | 77,543                               |
| Forest Roads  | 0                           | 32,770                 | 0                       | 0  | 0                             | 0                 | 0                               | 32,770                               |
| Police Staffing   | 0                           | 0                      | 20,080                  | 0  | 0                             | 0                 | 0                               | 20,080                               |
| Committed To:   |                             |                        |                         |  |                               |                   |                                 |                                      |
| Capital Projects  | 0                           | 0                      | 0                       | 103,486                                    | 0                             | 0                 | 0                               | 103,486                              |
| <b>Total Fund Equity</b>  | <b>77,543</b>               | <b>32,770</b>          | <b>22,366</b>           | <b>103,486</b>                             | <b>120,295</b>                | <b>104,785</b>    | <b>1,279</b>                    | <b>462,524</b>                       |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Equity</b> | <b>\$ 77,543</b>            | <b>\$ 44,370</b>       | <b>\$ 245,022</b>       | <b>\$ 103,486</b>                          | <b>\$ 120,295</b>             | <b>\$ 119,037</b> | <b>\$ 1,279</b>                 | <b>\$ 711,032</b>                    |

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2020

|   | Special Revenue Funds       |                        |                         |  |                               |                   |                                 |                                      |
|---|-----------------------------|------------------------|-------------------------|--|-------------------------------|-------------------|---------------------------------|--------------------------------------|
|   | Road<br>Improvement<br>Fund | Forest<br>Reserve Fund | Police<br>Staffing Fund | Old Orchard<br>Park<br>Improvement<br>Fund | Public<br>Improvement<br>Fund | Library Fund      | Drug Law<br>Enforcement<br>Fund | Total Other<br>Governmental<br>Funds |
| <u>Revenue</u>                              |                             |                        |                         |  |                               |                   |                                 |                                      |
| Property Taxes                              | \$ 0                        | \$ 0                   | \$ 207,922              | \$ 0                                       | \$ 0                          | \$ 0              | \$ 0                            | \$ 207,922                           |
| Federal Grants and Revenue                  | 0                           | 0                      | 2,000                   | 0  | 0                             | 0                 | 0                               | 2,000                                |
| State Grants and Revenue                    | 0                           | 11,633                 | 0                       | 0  | 0                             | 0                 | 0                               | 11,633                               |
| Contributions from Local Units              | 0                           | 0                      | 0                       | 0  | 0                             | 104,527           | 0                               | 104,527                              |
| Charges for Services                        | 8,081                       | 0                      | 0                       | 0  | 5,775                         | 0                 | 0                               | 13,856                               |
| Interest and Rentals                        | 220                         | 163                    | 271                     | 1,257                                      | 1,164                         | 207               | 4                               | 3,286                                |
| Other Revenue                               | 0                           | 0                      | 0                       | 0  | 0                             | 4,170             | 0                               | 4,170                                |
| Total Revenue                               | <u>8,301</u>                | <u>11,796</u>          | <u>210,193</u>          | <u>1,257</u>                               | <u>6,939</u>                  | <u>108,904</u>    | <u>4</u>                        | <u>347,394</u>                       |
| <u>Expenditures</u>                         |                             |                        |                         |  |                               |                   |                                 |                                      |
| Current:                                    |                             |                        |                         |  |                               |                   |                                 |                                      |
| Public Safety                               | 0                           | 0                      | 199,462                 | 0  | 0                             | 0                 | 5,499                           | 204,961                              |
| Public Works                                | 22,472                      | 0                      | 0                       | 0  | 0                             | 0                 | 0                               | 22,472                               |
| Recreation and Cultural                     | 0                           | 0                      | 0                       | 0  | 0                             | 114,367           | 0                               | 114,367                              |
| Capital Outlay                              | 0                           | 0                      | 12,835                  | 103,989                                    | 87,870                        | 0                 | 0                               | 204,694                              |
| Total Expenditures                          | <u>22,472</u>               | <u>0</u>               | <u>212,297</u>          | <u>103,989</u>                             | <u>87,870</u>                 | <u>114,367</u>    | <u>5,499</u>                    | <u>546,494</u>                       |
| Excess of Revenue Over (Under) Expenditures | (14,171)                    | 11,796                 | (2,104)                 | (102,732)                                  | (80,931)                      | (5,463)           | (5,495)                         | (199,100)                            |
| <u>Other Financing Sources (Uses)</u>       |                             |                        |                         |  |                               |                   |                                 |                                      |
| Operating Transfers In                      | 0                           | 0                      | 13,574                  | 60,000                                     | 0                             | 0                 | 0                               | 73,574                               |
| Net Change in Fund Balances                 | (14,171)                    | 11,796                 | 11,470                  | (42,732)                                   | (80,931)                      | (5,463)           | (5,495)                         | (125,526)                            |
| Fund Balances - Beginning of Year           | 91,714                      | 20,974                 | 10,896                  | 146,218                                    | 201,226                       | 110,248           | 6,774                           | 588,050                              |
| Fund Balances - End of Year                 | <u>\$ 77,543</u>            | <u>\$ 32,770</u>       | <u>\$ 22,366</u>        | <u>\$ 103,486</u>                          | <u>\$ 120,295</u>             | <u>\$ 104,785</u> | <u>\$ 1,279</u>                 | <u>\$ 462,524</u>                    |

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

BALANCE SHEET  
OSCODA-WURTSMITH AIRPORT LOCAL DEVELOPMENT FINANCE AUTHORITY -  
COMPONENT UNIT - GOVERNMENTAL FUND  
December 31, 2020

|   | <u>Special Revenue<br/>Fund<br/>Oscoda-<br/>Wurtsmith Airport<br/>Local<br/>Development<br/>Finance Authority</u> |
|---|---|
| <u>Assets</u>   |   |
| Cash and Cash Equivalents   | \$ 349,840  |
| Receivables:  |   |
| Property Taxes  | <u>143,669</u>  |
| Total Assets  | \$ <u><u>493,509</u></u>  |
| Liabilities   | \$ 0  |
| <u>Deferred Inflows of Resources</u>                              |   |
| Property Taxes Levied for Next Year                               | 143,669   |
| <u>Fund Equity</u>  |   |
| Restricted For:   |   |
| Economic Development  | <u>349,840</u>  |
| Total Liabilities, Deferred Inflows of Resources, and Fund Equity | \$ <u><u>493,509</u></u>  |

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -  
OSCODA-WURTSMITH AIRPORT LOCAL DEVELOPMENT FINANCE AUTHORITY -  
COMPONENT UNIT - GOVERNMENTAL FUND  
December 31, 2020

|   | <u>Special Revenue<br/>Fund<br/>Oscoda-<br/>Wurtsmith Airport<br/>Local<br/>Development<br/>Finance Authority</u> |
|---|---|
| <u>Revenue</u>                              |   |
| Property Taxes                              | \$ 125,613  |
| Interest and Rentals                        | 964   |
| Total Revenue                               | <u>126,577</u>  |
| <u>Expenditures</u>                         |   |
| Current:                                    |   |
| Community and Economic Development          | <u>1,649</u>  |
| Excess of Revenue Over (Under) Expenditures | 124,928   |
| Fund Balance - Beginning of Year            | <u>224,912</u>  |
| Fund Balance - End of Year                  | <u>\$ 349,840</u>   |



***Stephenson & Company, P.C.***  
**Certified Public Accountants & Consultants**

Alan J. Stephenson, CPA  
Donald W. Brannan, CPA  
Kyle E. Troyer, CPA  
Robert J. Morand, CPA  
Brendan A. Stephenson, CPA/PFS, CFP®  
Cynthia R. Scott, CPA, CFE

April 2, 2021

Management and the Board  
Charter Township of Oscoda  
Iosco County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit each major fund, and the aggregate remaining fund information of the Charter Township of Oscoda for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 11, 2021. Professional standards also require that we communicate to you the following information related to our audit. The appendices to this letter set forth those communications as follows:

- I Communication with Those Charged with Governance
- II Management Comments

We discussed these matters with various personnel of the Township during the audit and met with management on March 12, 2021. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Township Board, others within the Township and the Michigan Department of Treasury and are not intended to be, and should not be, used by anyone other than those specified parties.

Very truly yours,

*Stephenson & Company, P.C.*



**APPENDIX I**

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

**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 Charter Township of Oscoda 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 Charter Township of Oscoda during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements 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 estimate affecting the Charter Township of Oscoda's financial statements was:

Management's estimate of the net pension liability is based on the actuarial valuation as provided by the Municipal Employees' Retirement System. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

**Difficulties Encountered in Performing the Audit**

As the Township Board knows, there was significant turnover near the end of the year within the Township. Given this turnover, mixed with the many fixed asset projects handled by the Township, we found it very challenging to determine which costs were associated with which projects throughout the year, as well as which Board motions went with which projects and which approvals for sales and purchases fell through and did not happen. These challenges caused for a considerable amount of additional time being put into sorting through all of the projects and related documentation. See Appendix II for further detail.

**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. Management has determined the effects of the unadjusted audit differences are immaterial, both individually and in the aggregate, to the financial statements as a whole, and material misstatements provided to management on April 2, 2021 were corrected by management.

**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 April 2, 2021.

**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 Charter Township of Oscoda'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 Charter Township of Oscoda's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the management's discussion and analysis, required pension schedules, and budgetary comparison information, 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.

We were engaged to report on the combining nonmajor and the Oscoda-Wurtsmith Airport Local Development Finance Authority – component unit fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



**APPENDIX II  
MANAGEMENT COMMENTS**

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Oscoda as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of Oscoda's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Oscoda's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Oscoda's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

**FINANCIAL STATEMENT PREPARATION CONTROLS**

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation the Charter Township of Oscoda's financial statements. However, if at any point in the audit we as auditors are part of the Charter Township of Oscoda's control system for producing reliable financial statements, auditing standards indicate that the Charter Township of Oscoda has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. The effect of this material weakness is that reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles (GAAP) and the Township would not be in a position to detect the errors or omissions. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

**FIXED ASSET / PROJECT TRACKING**

During the audit it was very challenging to determine which costs were associated with which projects throughout the year, as well as which Board motions went with which projects and which approvals for sales and purchases fell through and did not happen. To help streamline the audit testing, and to assist the Township with better knowing the total costs associated with each project for capitalization purposes, we recommend that the Township maintain a spreadsheet that separates and tracks each project. Each project can then be detailed for all costs associated with that project (vendor, amount, check number, date). These costs can then be supported by the appropriate board minute approvals, as well as documenting which board approval activities get cancelled or updated. Such a system is of particular importance when tracking projects that are paid for with federal funding. The Township had implemented such a system during 2020, but the tracking fell off with the significant transition of personnel near year end. We recommend that the new management develop a similar tracking system and begin doing so immediately, so that all projects can easily be tied to their supporting grants, documentation, and board minute approvals.

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency.



### CASH RECONCILIATIONS

Timely preparation of complete and accurate bank reconciliations is key to maintaining adequate control over both cash receipts and disbursements. During our audit, it was noted that while progress has been made in performing reconciliations in a timely manner and documenting such, this was not done on a timely manner during the transition process at year end, for the new Clerk. Additionally, it was noted that reconciliations were not being completed at all after the transition for a few savings accounts with minimal activity. We recommend that Township officials ensure reconciliations are performed for all cash accounts, including all savings accounts, in a timely manner and that these reconciliations be kept with the original bank statements to facilitate a smoother review process. Review of the bank statements and reconciliations should be documented via a signature and date (as is currently being done).

### CAMPSITE REVENUE TRACKING

During our testing of the new electronic system for tracking campsite revenue, it was determined that the system was not functioning effectively throughout the course of the year, requiring park employees to also maintain the former system of accounting for revenue and requiring us to audit from the old system as well. While the progress made on implementing the new electronic system is significant, we recommend that the Township fully implement and utilize the new system, such that each permit type will be separately tracked and thus revenue will be easily recalculated by the Township and more readily audited. Doing this will allow the new electronic system to act as the management tool and internal audit function, that it is designed to do.

### REQUIRED WRITTEN POLICIES – FEDERAL AWARDS

The Uniform Guidance Part 200 Subparts D and E require certain written procedures. These include written procedures for cash management, allowability of costs, conflict of interest, procurement, method of conducting technical evaluations, and travel reimbursement. Currently, the Township does not have these written procedures. The individual grant selected as a major program for the Federal single audit in the current year has a written grant agreement covering most of these areas. However, the Township as a whole has not adopted these written procedures. The effect of this is that the Township may have Federal Grants that do not have their own written policies and, therefore, would not be in compliance with the Uniform Guidance. We recommend that the Township adopt written procedures for the above required items that are all inclusive of any grants received by the Township. In addition, these procedures should be communicated to all departments receiving Federal awards.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

### STATUS OF PRIOR YEAR COMMENTS:

We have reviewed the status of comments and recommendations made in the prior year. The status of prior year comments is as follows:

| <u>Comment</u>                           | <u>Implemented/<br/>Situation<br/>Corrected</u> | <u>Management<br/>Decision To<br/>Not Implement</u> | <u>Progress<br/>Made</u> | <u>Situation<br/>Still<br/>Exists</u> |
|--|---|---|--------------------------|---------------------------------------|
| Financial Statement Preparation Controls |   |   |                          | X                                     |
| Cash Reconciliations                     |   |   | X                        |                                       |
| Fixed Asset / Project Tracking           |   |   |                          | X                                     |
| Board Minutes                            |   |   |                          | X                                     |