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CHARTER TOWNSHIP OF OSCODA
IOSCO COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2019

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April 21, 2020

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2019, 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. 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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Charter Township of Oscoda, Iosco County, Michigan, as of December 31, 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Charter Township of Oscoda has implemented GASB Statement No. 84, *Fiduciary Activities*, as of December 31, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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, Charter Township of Oscoda Downtown Development Authority - component unit, 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, Charter Township of Oscoda Downtown Development Authority - component unit, 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, Charter Township of Oscoda Downtown Development Authority - component unit, 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.

Stephenson & Company, P.C.



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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, 2019. 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 units reported separately from the primary government are not included.

Financial Highlights

- The Township's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$29,352,571.
- The Township's total net position increased by \$876,985.
- The Township's governmental funds reported a combined ending fund balance of \$6,343,467 this year, an increase of \$927,602. Of this amount, \$2,270,117 is available for spending (*unassigned fund balance*) on behalf of its citizens. The Township General Fund 2019 year end *fund balance* is \$2,289,285.

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 \$33 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, 2020 property taxes that will be received in the future are listed as *taxes receivable* and as *deferred inflow of resources*.

The Township's component units are the Charter Township of Oscoda Downtown Development Authority, which was dissolved in the current year, and the Oscoda-Wurtsmith Airport Local Development Finance Authority. These component units are described in the *Notes to the Financial Statements*. The component units are legally separate from the Township and may buy, sell, lease, and mortgage property in their own name, and can sue or be sued in their own name.

As a result of its dissolution the Charter Township of Oscoda Downtown Development Authority's ending net position was \$0. The Oscoda-Wurtsmith Airport Local Development Finance Authority's ending net position totaled \$224,912.

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.

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.
- Health and Community Center Fund – This fund was used to track the operations of the Township Community center. However, the Community Center was sold on June 19, 2019, and therefore the fund was closed, with the remaining dollars being due to the General Fund at year end.

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.

Charter Township of Oscoda Downtown Development Authority and 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, 2019 and 2018:

Net Position Summary

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current Assets	\$ 8,731,476	\$ 3,500,967	\$ 12,232,443	\$ 11,690,885
Restricted Assets	56,424	122,759	179,183	180,634
Capital Assets – net	11,213,229	8,702,789	19,916,018	20,175,480
Other Noncurrent Assets	<u>75,801</u>	<u>4,217,932</u>	<u>4,293,733</u>	<u>4,153,355</u>
Total Assets	<u>20,076,930</u>	<u>16,544,447</u>	<u>36,621,377</u>	<u>36,200,354</u>
Deferred Outflows of Resources	<u>61,838</u>	<u>11,512</u>	<u>73,350</u>	<u>325,206</u>

Summary of Net Position: (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current Liabilities	\$ 287,363	\$ 205,437	\$ 492,800	\$ 820,958
Long-Term Liabilities	<u>1,795,362</u>	<u>2,840,965</u>	<u>4,636,327</u>	<u>5,091,688</u>
Total Liabilities	<u>2,082,725</u>	<u>3,046,402</u>	<u>5,129,127</u>	<u>5,912,646</u>
Deferred Inflows of Resources	<u>2,213,029</u>	<u>0</u>	<u>2,213,029</u>	<u>2,137,328</u>
Net Position				
Net Investment in				
Capital Assets	11,213,229	5,886,118	17,099,347	17,021,733
Restricted	935,951	180,634	1,116,585	3,881,329
Unrestricted	<u>3,693,834</u>	<u>7,442,805</u>	<u>11,136,639</u>	<u>7,572,524</u>
Total Net Position	<u>\$ 15,843,014</u>	<u>\$ 13,509,557</u>	<u>\$ 29,352,571</u>	<u>\$ 28,475,586</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.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Program Revenues:				
Charges for Services	\$ 767,802	\$ 2,733,779	\$ 3,501,581	\$ 3,411,938
Operating Grants and Contributions	218,543	152,970	371,513	559,963
Capital Grants and Contributions	<u>44,700</u>	<u>43,378</u>	<u>88,078</u>	<u>307,359</u>
Total Program Revenues	<u>1,031,045</u>	<u>2,930,127</u>	<u>3,961,172</u>	<u>4,279,260</u>
General Revenues:				
Property Taxes	2,074,325	0	2,074,325	1,619,382
State Revenue Sharing	642,003	0	642,003	621,454
Rent Income	388,683	37,356	426,039	437,011
Gain (Loss) on Disposal of Capital Assets	37,914	(300,914)	(263,000)	(27,403)
Investment Earnings and Miscellaneous	<u>115,940</u>	<u>78,347</u>	<u>194,287</u>	<u>191,206</u>
Total General Revenues	<u>3,258,865</u>	<u>(185,211)</u>	<u>3,073,654</u>	<u>2,841,650</u>
Total Revenues	<u>4,289,910</u>	<u>2,744,916</u>	<u>7,034,826</u>	<u>7,120,910</u>
Program Expenses:				
General Government	1,086,780	0	1,086,780	1,113,399
Public Safety	1,796,224	0	1,796,244	1,674,287
Public Works	180,423	0	180,423	261,838
Community and Economic Development	697,446	0	697,446	640,728
Recreation and Cultural	518,634	0	518,634	489,875

Summary of Changes in Net Position: (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Program Expenses (Continued) :				
Interest and Fees on Long-Term Debt \$	0	\$ 0	\$ 0	\$ 3,421
Sewage Disposal System	0	749,206	749,206	1,087,920
Water Services	0	1,017,644	1,017,644	894,218
Old Orchard Park	0	632,838	632,838	572,853
Community Center	0	78,946	78,946	127,371
Total Program Expenses	<u>4,279,507</u>	<u>2,478,634</u>	<u>6,758,141</u>	<u>6,865,910</u>
Increase (Decrease) in Net Position				
Before Transfers and Special Item	10,403	266,282	276,685	255,000
Transfers	528,546	(528,546)	0	0
Special Item – Artisan Hall Impairment	(117,484)	0	(117,484)	0
Special Item – DDA Dissolution	<u>717,784</u>	<u>0</u>	<u>717,784</u>	<u>0</u>
Change in Net Position	1,139,249	(262,264)	876,985	255,000
Beginning Net Position (Restated)	<u>14,703,765</u>	<u>13,771,821</u>	<u>28,475,586</u>	<u>28,220,586</u>
Ending Net Position	<u>\$ 15,843,014</u>	<u>\$ 13,509,557</u>	<u>\$ 29,352,571</u>	<u>\$ 28,475,586</u>

Governmental Activities

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

Total governmental activities reveal revenues of \$1,031,045 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 \$4,279,507 for these same activities. The largest expenses were incurred by Public Safety (\$1,796,224), General Government (\$1,086,780), and Community and Economic Development (\$697,446).

Business-Type Activities

The Township's main *Business-Type activities* are the Sewage Disposal System, Water Services, Old Orchard Park and the Health and Community Center.

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 19 funds. These funds are maintained by the Township Clerk as separate units in the General Ledger.

Governmental Funds

The General Fund balance increased by \$556,553. This was primarily the result of the dissolution of the Downtown Development Authority, which resulted in a special item for the contribution of assets totaling \$717,784. In addition, the sale of the Community Center and subsequent closing of that fund resulted in a transfer in to the General Fund of \$360,541, which was then offset by the fluctuations of decreased operating expenditures and increased fund transfers related to the newly developed Police Fund, whose expenditures were previously recorded in the General Fund.

The Property Operation and Maintenance Fund did not experience a significant change in fund balance.

The Police Fund balance increased by \$198,471 in its first full year of existence. Current year activity consisted primarily of an operating transfer in from the General Fund of \$1,132,055, property tax revenue of \$228,939, and Public Safety expenditures of \$1,128,417.

The Other Governmental Funds fund balance increased by \$173,608. Most significantly, the Fire Equipment Fund experienced a \$165,092 increase in fund balance, which was relatively consistent with the prior year.

Enterprise Funds

The Township's enterprise funds provide the same type of information found in the government-wide financial statements. Commonly, departments such as the Old Orchard Park, Health and Community Center, water, and sewer services comprise these funds. 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 \$198,640. Operating revenue increased by about \$99,000, largely due to increased sewer rates. Professional services decreased about \$340,000, which can be directly attributed to work performed by engineers related to the asset management plan in the prior year. The SAW Grant project was completed in the prior year. Simultaneously, State Grant revenue decreased by approximately \$424,000, which was attributable to the SAW Grant covering the asset management plan.

The Water Fund net position increased by \$105,623, which is significantly less of an increase than the prior year's \$368,640 increase. The reduced increase was mostly the result of less grant funding in the current year towards the water main project of about \$110,000, as well as increased expenditures of about \$125,000.

The Old Orchard Park Fund net position increased by \$85,804. Operating revenue decreased by about \$29,000 while operating expenses increased about \$60,000. Operating transfers out decreased by \$60,077.

The Health and Community Center Fund net position decreased by \$624,188. This was primarily the result of the closing and sale of the Community Center, which resulted in a contribution to the General Fund of \$360,541 and a book loss on the sale of \$300,914.

The Van Etten Campground Fund net position decreased by \$28,143. This was primarily the result of closing the fund into the General Fund, which resulted in a transfer to the General Fund of \$28,231.

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, 2019 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 \$2,862,766. That amount is above both the original budget estimate of \$2,701,849 and the final amended budget estimate of \$2,749,853. The budget was primarily amended to reflect increased charges for services revenue. The variance between the actual revenue and the final amended budget was mainly the result of state shared revenue being \$85,507 higher than anticipated.

The actual expenditures of the General Fund were \$2,556,048, which is above both the original budget estimate of \$2,108,471 and the final amended budget estimate of \$2,312,830. The budget was primarily amended in anticipation of additional recreation and cultural expenses. The variance between the actual expenditures and the final amended budget was primarily due to the dissolution of the Downtown Development Authority; the closure resulted in the contribution of assets totaling \$717,784; the General Fund then recorded capital outlay expenses for the capital assets received, a noncash expense that was not budgeted for.

The General Fund had total revenues of \$2,862,766 and total expenditures of \$2,556,048 with an ending fund balance of \$2,289,285.

Operating transfers in of \$656,391 include transfers from several funds, most prominently the Heath and Community Center Fund (\$360,541) and the Old Orchard Park Fund (\$124,923). Operating transfers out of \$1,172,055 were to the Police Fund (\$1,132,055) and the Road Improvement Fund (\$40,000).

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 \$15,669,691 with an ending balance of \$16,409,567. Governmental Activities Total Capital Assets – Net of Depreciation was \$11,213,229.

During the year ended December 31, 2019, the Township's governmental capital asset additions consisted of:

Capital Assets from DDA Dissolution	\$ 850,369
Two Police Vehicles	73,027
Phone System (Construction in Progress)	47,105
Jaws of Life	40,000
DPW Parking Lot	27,740
Other Additions	<u>38,769</u>
Total Additions	<u>\$ 1,077,010</u>

The Township's governmental capital asset disposals consisted of seven vehicles, several pieces of property, and jaws of life, which was replaced with the above noted addition. Total proceeds from the sale of capital assets were \$96,144, which exceeded the remaining unrecovered book costs by \$37,914. In addition, the Governmental Activities recognize an impairment loss expense in the current year, on the Artisan Hall, of \$117,484.

Capital Assets - Business Type Activities beginning balance was \$17,268,386 with an ending balance of \$16,728,440. Business-Type Activities Total Capital Assets – Net of Depreciation was \$8,702,789. Current year additions consisted of ongoing construction in progress on the Water Main Extension project of \$340,223, five fire hydrants totaling \$42,940, and a pump station replacement of \$18,830. The Township sold the Community Center, which had a book basis of \$941,939, for \$258,117. The net book loss was \$300,914.

An expanded and detailed presentation may be seen in Note 5 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 \$2,944,460. 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 7 of the audit notes to financial statements.

Net Pension Liability

Net pension liability for the Township at year-end amounted to \$1,691,867. 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 11 of the audit notes to financial statements.

Economic Factors

The economic climate appears to be tilting towards “favorable” and the 2020 taxable values for the Township are projected to increase just over \$7.5 million in support of funding the Fiscal Year 2021 budget. While the increase is helpful, especially as compared to outright decreases of several years ago, the beneficial impact in this instance is relatively modest (Township Operating \$35,400; Fire Department Millage \$6,800; Police Department Millage \$11,300). To put the larger fiscal challenge in perspective, the 2020 taxable values are still \$2.6 million less than what taxable values were in 2009. As might be expected, Township costs for equipment, goods, services and labor have not remained stagnant since 2009. At the same time, structural revenue constraints not unique to Oscoda Township, some long-standing and others relatively new, serve to limit upside revenue growth potential moving forward. These factors and others combine to create continuing budgetary issues, which must be addressed through diligence and foresight in financial planning.

Component Units

Complete financial statements for the Charter Township of Oscoda Downtown Development Authority and 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, 2019

	Primary Government			Component Units	
	Governmental	Business-Type		Downtown	Oscoda- Wurtsmith Airport Local Development Finance
	Activities	Activities	Total	Development Authority	Authority
<u>Assets</u>					
Cash and Cash Equivalents	\$ 2,326,251	\$ 1,459,849	\$ 3,786,100	\$ 49,349	\$ 224,912
Investments	3,513,088	2,135,398	5,648,486	0	0
Receivables:					
Property Taxes	2,213,029	0	2,213,029	0	125,613
Delinquent Taxes	6,784	0	6,784	0	0
Special Assessments	13,866	0	13,866	0	0
Accounts, Net	25,450	172,963	198,413	0	0
Due from Local Units	25,640	2,673	28,313	0	0
Due from Component Unit	37,800	0	37,800	0	0
Due from State	119,280	0	119,280	0	0
Due from Federal Government	25,800	7,260	33,060	0	0
Internal Balances	385,136	(385,136)	0	0	0
Prepaid Items	39,352	3,623	42,975	0	0
Inventory	0	104,337	104,337	0	0
Restricted Assets:					
Cash and Cash Equivalents	56,424	70,772	127,196	0	0
Investments	0	51,987	51,987	0	0
Noncurrent Assets:					
Investment in Huron Shore Regional Utility Authority	0	4,149,964	4,149,964	0	0
Investment in Iosco Exploration Trail	75,801	67,968	143,769	0	0
Capital Assets Not Being Depreciated	5,656,969	738,708	6,395,677	0	0
Capital Assets, Net of Accumulated Depreciation	5,556,260	7,964,081	13,520,341	0	0
Total Assets	20,076,930	16,544,447	36,621,377	49,349	350,525
<u>Deferred Outflows of Resources</u>					
Deferred Charge on Refunding	0	11,512	11,512	0	0
Deferred Amounts Related to Pensions	61,838	0	61,838	0	0
Total Deferred Outflows of Resources	61,838	11,512	73,350	0	0
<u>Liabilities</u>					
Accounts Payable	143,889	44,299	188,188	0	0
Due to State	0	29,301	29,301	0	0
Due to Other Units of Government	11,936	0	11,936	11,549	0
Accrued Interest Payable	0	15,659	15,659	0	0
Deposits Payable	13,538	5,366	18,904	0	0
Accrued Liabilities	112,194	9,455	121,649	0	0
Due to Primary Government	0	0	0	37,800	0
Unearned Revenue	5,806	101,357	107,163	0	0
Long Term Liabilities:					
Due Within One Year	0	293,000	293,000	0	0
Due In More Than One Year	103,495	2,547,965	2,651,460	0	0
Net Pension Liability	1,691,867	0	1,691,867	0	0
Total Liabilities	2,082,725	3,046,402	5,129,127	49,349	0
<u>Deferred Inflows of Resources</u>					
Property Taxes Levied for Next Year	2,213,029	0	2,213,029	0	125,613

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, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Oscoda- Wurtsmith Airport Local Development Finance Authority
<u>Net Position</u>					
Net Investment in Capital Assets	\$ 11,213,229	\$ 5,886,118	\$ 17,099,347	\$ 0	\$ 0
Restricted For:					
Library Activities	110,248	0	110,248	0	0
Road Improvement	91,714	0	91,714	0	0
Drug Enforcement	6,774	0	6,774	0	0
Capital Projects	169,142	0	169,142	0	0
Debt Service	0	92,669	92,669	0	0
Capital Improvements	0	87,965	87,965	0	0
Economic Development	7,896	0	7,896	0	224,912
Forest Roads	33,374	0	33,374	0	0
Cemetery	88,508	0	88,508	0	0
Fire Equipment	417,399	0	417,399	0	0
Police Staffing	10,896	0	10,896	0	0
Unrestricted	<u>3,693,834</u>	<u>7,442,805</u>	<u>11,136,639</u>	<u>0</u>	<u>0</u>
Total Net Position	<u>\$ 15,843,014</u>	<u>\$ 13,509,557</u>	<u>\$ 29,352,571</u>	<u>\$ 0</u>	<u>\$ 224,912</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, 2019

		Net (Expense) Revenue and Changes in Net Position							
		Program Revenues			Primary Government			Component Units	
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Oscoda- Wurtsmith Airport Local Development Finance Authority
Function/Program	Expenses	Charges for Services							
Primary Government									
Governmental Activities:									
General Government	\$ 1,086,780	\$ 575,202	\$ 0	\$ 0	\$ (511,578)	\$ 0	\$ (511,578)		
Public Safety	1,796,224	124,763	57,136	44,700	(1,569,625)	0	(1,569,625)		
Public Works	180,423	32,381	27,278	0	(120,764)	0	(120,764)		
Community and Economic Development	697,446	16,118	5,250	0	(676,078)	0	(676,078)		
Recreation and Cultural	<u>518,634</u>	<u>19,338</u>	<u>128,879</u>	<u>0</u>	<u>(370,417)</u>	<u>0</u>	<u>(370,417)</u>		
Total Governmental Activities	<u>4,279,507</u>	<u>767,802</u>	<u>218,543</u>	<u>44,700</u>	<u>(3,248,462)</u>	<u>0</u>	<u>(3,248,462)</u>		
Business-Type Activities:									
Sewer Services	749,206	962,981	0	0	0	213,775	213,775		
Water Services	1,017,644	939,500	152,970	43,378	0	118,204	118,204		
Old Orchard Park	632,838	814,562	0	0	0	181,724	181,724		
Community Center	<u>78,946</u>	<u>16,736</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(62,210)</u>	<u>(62,210)</u>		
Total Business-Type Activities	<u>2,478,634</u>	<u>2,733,779</u>	<u>152,970</u>	<u>43,378</u>	<u>0</u>	<u>451,493</u>	<u>451,493</u>		
Total Primary Government	<u>\$ 6,758,141</u>	<u>\$ 3,501,581</u>	<u>\$ 371,513</u>	<u>\$ 88,078</u>	<u>(3,248,462)</u>	<u>451,493</u>	<u>(2,796,969)</u>		
Component Units									
Downtown Development Authority	\$ 17,923	\$ 0	\$ 0	\$ 0			\$ (17,923)	\$ 0	
Oscoda-Wurtsmith Airport Local Development Finance Authority	<u>34,818</u>	<u>0</u>	<u>0</u>	<u>0</u>			<u>0</u>	<u>(34,818)</u>	
Total Component Units	<u>\$ 52,741</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>			<u>(17,923)</u>	<u>(34,818)</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, 2019

Function/Program	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Downtown Development Authority	Oscoda- Wurtsmith Airport Local Development Finance Authority	
General Revenue:										
Property Taxes Levied For:										
General Operating					\$ 1,359,787	\$ 0	\$ 1,359,787	92,733	\$ 105,445	
Fire Equipment					257,576	0	257,576	0	0	
Senior Center					27,705	0	27,705	0	0	
Police Operating					228,939	0	228,939	0	0	
Police Staffing					200,318	0	200,318	0	0	
State Revenue Sharing					642,003	0	642,003	0	0	
Interest and Investment Earnings					112,150	65,990	178,140	225	684	
Rent Income					388,683	37,356	426,039	1,750	0	
Gain (Loss) on Disposal of Capital Assets					37,914	(300,914)	(263,000)	0	0	
Other					3,790	12,357	16,147	238	0	
Transfers					528,546	(528,546)	0	0	0	
Special Item - Contributed Assets from DDA Dissolution					717,784	0	717,784	(729,333)	0	
Special Item - Artisan Hall Impairment					(117,484)	0	(117,484)	0	0	
Total General Revenue, Transfers, and Special Items					<u>4,387,711</u>	<u>(713,757)</u>	<u>3,673,954</u>	<u>(634,387)</u>	<u>106,129</u>	
Change in Net Position					1,139,249	(262,264)	876,985	(652,310)	71,311	
Net Position - Beginning (Restated)					<u>14,703,765</u>	<u>13,771,821</u>	<u>28,475,586</u>	<u>652,310</u>	<u>153,601</u>	
Net Position - Ending					<u>\$ 15,843,014</u>	<u>\$ 13,509,557</u>	<u>\$ 29,352,571</u>	<u>\$ 0</u>	<u>\$ 224,912</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, 2019

	Special Revenue Funds				
	General Fund	Property Operation and Maintenance Fund	Police Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 931,773	\$ 673,126	\$ 149,936	\$ 571,416	\$ 2,326,251
Investments	865,944	2,196,391	62,577	388,176	3,513,088
Receivables:					
Property Taxes	1,501,368	0	237,220	474,441	2,213,029
Delinquent Taxes	6,784	0	0	0	6,784
Special Assessments	12,147	0	0	1,719	13,866
Accounts, Net	22,014	2,778	658	0	25,450
Due from Local Units	11,568	0	0	14,072	25,640
Due from Component Unit	37,800	0	0	0	37,800
Due from State	117,819	0	487	974	119,280
Due from Federal Government	0	0	25,800	0	25,800
Due from Other Funds	396,668	11,000	0	6,774	414,442
Prepaid Items	11,272	0	24,683	3,397	39,352
Restricted Assets:					
Cash and Cash Equivalents	0	0	0	56,424	56,424
Noncurrent Assets:					
Investment in Iosco Exploration Trail	75,801	0	0	0	75,801
Total Assets	<u>\$ 3,990,958</u>	<u>\$ 2,883,295</u>	<u>\$ 501,361</u>	<u>\$ 1,517,393</u>	<u>\$ 8,893,007</u>
Liabilities					
Accounts Payable	\$ 104,407	\$ 24,555	\$ 11,299	\$ 3,628	\$ 143,889
Due to Other Funds	21,410	0	0	7,896	29,306
Due to Other Units of Government	11,611	0	0	325	11,936
Deposits Payable	13,538	0	0	0	13,538
Accrued Liabilities	42,555	2,672	53,713	13,254	112,194
Unearned Revenue	0	5,806	0	0	5,806
Total Liabilities	<u>193,521</u>	<u>33,033</u>	<u>65,012</u>	<u>25,103</u>	<u>316,669</u>
Deferred Inflows of Resources					
Property Taxes Levied for Next Year	1,501,368	0	237,220	474,441	2,213,029
Unavailable Revenue - Property Taxes	6,784	0	0	0	6,784
Unavailable Revenue - Timber Payment	0	0	0	12,400	12,400
Unavailable Revenue - Reimbursements	0	0	658	0	658
Total Deferred Inflows of Resources	<u>1,508,152</u>	<u>0</u>	<u>237,878</u>	<u>486,841</u>	<u>2,232,871</u>
Fund Equity					
Fund Balances:					
Nonspendable:					
Prepaid Items	11,272	0	24,683	3,397	39,352
Restricted For:					
Capital Projects	0	0	0	169,142	169,142
Drug Enforcement	0	0	0	6,774	6,774
Library Activities	0	0	0	109,168	109,168
Cemetery	0	0	0	88,508	88,508
Road Improvement	0	0	0	91,714	91,714
Economic Development	7,896	0	0	0	7,896
Forest Roads	0	0	0	20,974	20,974
Fire Equipment	0	0	0	417,399	417,399
Police Staffing	0	0	0	8,579	8,579
Committed To:					
Capital Projects	0	0	0	89,794	89,794
Police	0	0	173,788	0	173,788
Property Operations and Maintenance	0	2,850,262	0	0	2,850,262
Assigned To:					
Unassigned	<u>2,270,117</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,270,117</u>
Total Fund Equity	<u>2,289,285</u>	<u>2,850,262</u>	<u>198,471</u>	<u>1,005,449</u>	<u>6,343,467</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	<u>\$ 3,990,958</u>	<u>\$ 2,883,295</u>	<u>\$ 501,361</u>	<u>\$ 1,517,393</u>	<u>\$ 8,893,007</u>

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, 2019

Total Governmental Fund Balances		\$	6,343,467
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	\$	16,409,567	
Accumulated Depreciation		<u>(5,196,338)</u>	
			11,213,229
Other assets are not available to pay for current period expenditures and, therefore, are unavailable revenue in the governmental funds:			
Personal Property Taxes		6,784	
Other Accounts Receivable		658	
Due From Local Units		<u>12,400</u>	
			19,842
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:			
Deficit Investment Return		12,201	
Differences between Expected and Actual Experience		<u>49,637</u>	
			61,838
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		(1,691,867)	
Compensated Absences Payable		<u>(103,495)</u>	
			<u>(1,795,362)</u>
Total Net Position - Governmental Activities		\$	<u>15,843,014</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, 2019

	Special Revenue Funds				
		Property Operation and Maintenance Fund	Police Fund	Other Governmental Funds	Total Governmental Funds
	General Fund				
<u>Revenue</u>					
Property Taxes	\$ 1,484,639	\$ 0	\$ 228,939	\$ 457,894	\$ 2,171,472
Property Taxes - Senior Center	27,705	0	0	0	27,705
Federal Grants and Revenue	0	0	44,700	12,274	56,974
State Grants and Revenue	684,007	0	9,582	0	693,589
Contributions from Local Units	0	0	0	101,354	101,354
Charges for Services	549,261	0	12	65,979	615,252
Fines and Forfeits	0	0	6,099	0	6,099
Interest and Rentals	40,781	446,319	2,890	10,843	500,833
Special Assessments	23,715	0	0	3,390	27,105
Other Revenue	52,658	0	28,730	1,231	82,619
Total Revenue	<u>2,862,766</u>	<u>446,319</u>	<u>320,952</u>	<u>652,965</u>	<u>4,283,002</u>
<u>Expenditures</u>					
Current:					
General Government:					
Legislative	19,637	0	0	0	19,637
Chief Executive	183,792	0	0	0	183,792
Financial and Tax Administration	450,709	0	0	0	450,709
Other General Government	431,241	0	0	1,950	433,191
Public Safety	124,981	0	1,128,417	194,341	1,447,739
Public Works	116,260	0	0	21,019	137,279
Community and Economic Development	199,463	302,739	0	0	502,202
Recreation and Cultural	279,598	0	0	169,632	449,230
Capital Outlay	750,367	40,979	138,230	83,026	1,012,602
Debt Service:					
Principal	0	0	0	60,499	60,499
Interest and Fiscal Charges	0	0	0	994	994
Total Expenditures	<u>2,556,048</u>	<u>343,718</u>	<u>1,266,647</u>	<u>531,461</u>	<u>4,697,874</u>
Excess of Revenue Over (Under) Expenditures	<u>306,718</u>	<u>102,601</u>	<u>(945,695)</u>	<u>121,504</u>	<u>(414,872)</u>
<u>Other Financing Sources (Uses)</u>					
Sale of Capital Assets	47,715	36,318	12,111	0	96,144
Operating Transfers In	656,391	0	1,132,055	60,000	1,848,446
Operating Transfers Out	(1,172,055)	(139,949)	0	(7,896)	(1,319,900)
Total Other Financing Sources (Uses)	<u>(467,949)</u>	<u>(103,631)</u>	<u>1,144,166</u>	<u>52,104</u>	<u>624,690</u>
<u>Special Item</u>					
Contributed Assets from DDA Dissolution	<u>717,784</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>717,784</u>
Net Change in Fund Balances	556,553	(1,030)	198,471	173,608	927,602
Fund Balances - Beginning of Year (Restated)	<u>1,732,732</u>	<u>2,851,292</u>	<u>0</u>	<u>831,841</u>	<u>5,415,865</u>
Fund Balances - End of Year	<u>\$ 2,289,285</u>	<u>\$ 2,850,262</u>	<u>\$ 198,471</u>	<u>\$ 1,005,449</u>	<u>\$ 6,343,467</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, 2019

Total Net Change in Fund Balances - Governmental Funds		\$	927,602
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	\$	(282)	
Reimbursements		(14,562)	
Special Assessments		<u>(16,162)</u>	
			(31,006)
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		906,625	
Current Year Depreciation Expense		(419,848)	
Gain (Loss) on Disposal of Capital Assets		(58,230)	
Impairment Loss		<u>(117,484)</u>	
			311,063
Principal repayments on long-term debt are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of repayments reported as expenditures in the governmental funds consist of:			
Installment Purchase Agreement Payable			60,499
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			(132,895)
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 Interest		994	
Net Change in Accrued Compensated Absences		<u>2,992</u>	
			<u>3,986</u>
Change in Net Position of Governmental Activities		\$	<u><u>1,139,249</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, 2019

	Enterprise Funds					
	Major Funds				Other Enterprise Fund	
	Sewage Disposal System Fund	Water Fund	Old Orchard Park Fund	Health and Community Center Fund	Van Etten Campground Fund	Total
<u>Assets</u>						
Current Assets:						
Cash and Cash Equivalents	\$ 369,259	\$ 516,821	\$ 285,361	\$ 260,177	\$ 28,231	\$ 1,459,849
Investments	841,796	769,582	418,125	105,895	0	2,135,398
Receivables:						
Accounts, Net	92,639	80,320	4	0	0	172,963
Due from Local Units	2,210	463	0	0	0	2,673
Due from Federal Government	7,260	0	0	0	0	7,260
Due from Other Funds	336	3,300	0	0	0	3,636
Prepaid Items	0	0	3,623	0	0	3,623
Inventory	0	98,206	6,131	0	0	104,337
Restricted Assets:						
Cash and Cash Equivalents	70,772	0	0	0	0	70,772
Investments	51,987	0	0	0	0	51,987
Total Current Assets	<u>1,436,259</u>	<u>1,468,692</u>	<u>713,244</u>	<u>366,072</u>	<u>28,231</u>	<u>4,012,498</u>
Noncurrent Assets:						
Investment in Huron Shore Regional Utility Authority	0	4,149,964	0	0	0	4,149,964
Investment in Iosco Exploration Trail	0	67,968	0	0	0	67,968
Capital Assets Not Being Depreciated	3,950	734,758	0	0	0	738,708
Capital Assets, Net of Accumulated Depreciation	<u>4,237,710</u>	<u>3,590,193</u>	<u>136,178</u>	<u>0</u>	<u>0</u>	<u>7,964,081</u>
Total Noncurrent Assets	<u>4,241,660</u>	<u>8,542,883</u>	<u>136,178</u>	<u>0</u>	<u>0</u>	<u>12,920,721</u>
Total Assets	<u>5,677,919</u>	<u>10,011,575</u>	<u>849,422</u>	<u>366,072</u>	<u>28,231</u>	<u>16,933,219</u>
<u>Deferred Outflows of Resources</u>						
Deferred Charge on Refunding	<u>11,512</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,512</u>
<u>Liabilities</u>						
Current Liabilities:						
Accounts Payable	3,742	37,371	3,186	0	0	44,299
Due to Other Funds	0	0	0	360,541	28,231	388,772
Due to State	0	0	26,826	2,475	0	29,301
Accrued Interest Payable	15,659	0	0	0	0	15,659
Deposits Payable	0	0	3,280	2,086	0	5,366
Accrued Liabilities	2,754	231	6,385	85	0	9,455
Unearned Revenue	0	9,530	90,942	885	0	101,357
Current Portion of Long-Term Liabilities	<u>293,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>293,000</u>
Total Current Liabilities	<u>315,155</u>	<u>47,132</u>	<u>130,619</u>	<u>366,072</u>	<u>28,231</u>	<u>887,209</u>
Long-Term Liabilities:						
Due in More Than One Year	<u>2,535,183</u>	<u>0</u>	<u>12,782</u>	<u>0</u>	<u>0</u>	<u>2,547,965</u>
Total Liabilities	<u>2,850,338</u>	<u>47,132</u>	<u>143,401</u>	<u>366,072</u>	<u>28,231</u>	<u>3,435,174</u>
<u>Net Position</u>						
Net Investment In Capital Assets	1,424,989	4,324,951	136,178	0	0	5,886,118
Restricted For:						
Debt Service	92,669	0	0	0	0	92,669
Capital Improvements	87,965	0	0	0	0	87,965
Unrestricted	<u>1,233,470</u>	<u>5,639,492</u>	<u>569,843</u>	<u>0</u>	<u>0</u>	<u>7,442,805</u>
Total Net Position	<u>\$ 2,839,093</u>	<u>\$ 9,964,443</u>	<u>\$ 706,021</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,509,557</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, 2019

	Enterprise Funds					
	Major Funds				Other Enterprise Fund	
	Sewage Disposal System Fund	Water Fund	Old Orchard Park Fund	Health and Community Center Fund	Van Etten Campground Fund	Total
<u>Operating Revenue</u>						
Charges For Services	\$ 914,872	\$ 899,100	\$ 0	\$ 437	\$ 0	\$ 1,814,409
User Fees	0	0	672,885	16,299	0	689,184
Store Sales	0	0	143,028	0	0	143,028
Tap Fees	35,000	23,620	0	0	0	58,620
Penalties	13,109	16,780	0	0	0	29,889
Rentals	0	0	34,894	1,111	0	36,005
Other Revenue	5,526	5,459	600	372	0	11,957
Total Operating Revenue	<u>968,507</u>	<u>944,959</u>	<u>851,407</u>	<u>18,219</u>	<u>0</u>	<u>2,783,092</u>
<u>Operating Expenses</u>						
Salaries and Wages	0	0	268,864	27,169	0	296,033
Payroll Taxes and Employee Benefits	42	86	97,161	7,722	0	105,011
Depreciation and Amortization	196,784	177,202	24,830	17,094	0	415,910
Equipment	0	19,319	0	0	0	19,319
Gasoline and Oil	192	0	10,255	0	0	10,447
Insurance and Bonds	6,291	4,461	8,897	0	0	19,649
Licenses and Permits	0	0	5,350	0	0	5,350
Office and Operating Supplies	7,788	8,797	81,614	1,278	0	99,477
Printing and Advertising	523	846	3,469	0	0	4,838
Professional Fees and Services	363,367	349,031	4,967	1,041	0	718,406
Rent	0	0	2,700	0	0	2,700
Repair and Maintenance	23,090	36,360	30,356	1,436	0	91,242
Telephone	1,641	277	4,904	1,172	0	7,994
Travel and Training	975	0	0	0	0	975
Utilities	70,395	414,291	72,886	21,367	0	578,939
Other	136	6,974	16,585	667	0	24,362
Total Operating Expenses	<u>671,224</u>	<u>1,017,644</u>	<u>632,838</u>	<u>78,946</u>	<u>0</u>	<u>2,400,652</u>
Operating Income (Loss)	<u>297,283</u>	<u>(72,685)</u>	<u>218,569</u>	<u>(60,727)</u>	<u>0</u>	<u>382,440</u>
<u>Nonoperating Revenue (Expenses)</u>						
State Grants and Revenue	0	152,970	0	0	0	152,970
Interest and Investment Earnings	24,339	26,960	12,158	2,445	88	65,990
Contributions	0	0	0	400	0	400
Interest and Fees Expense	(77,982)	0	0	0	0	(77,982)
Gain (Loss) on Disposal of Capital Assets	0	0	0	(300,914)	0	(300,914)
Total Nonoperating Revenue (Expenses)	<u>(53,643)</u>	<u>179,930</u>	<u>12,158</u>	<u>(298,069)</u>	<u>88</u>	<u>(159,536)</u>
Income (Loss) Before Capital Contributions and Operating Transfers	243,640	107,245	230,727	(358,796)	88	222,904
Capital Contribution	0	43,378	0	0	0	43,378
Operating Transfers In	0	0	0	95,149	0	95,149
Operating Transfers Out	(45,000)	(45,000)	(144,923)	(360,541)	(28,231)	(623,695)
Change in Net Position	198,640	105,623	85,804	(624,188)	(28,143)	(262,264)
Net Position - Beginning of Year	<u>2,640,453</u>	<u>9,858,820</u>	<u>620,217</u>	<u>624,188</u>	<u>28,143</u>	<u>13,771,821</u>
Net Position - End of Year	<u>\$ 2,839,093</u>	<u>\$ 9,964,443</u>	<u>\$ 706,021</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,509,557</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, 2019

	Enterprise Funds				Other Enterprise Fund	
	Major Funds				Van Etten Campground Fund	Total
	Sewage Disposal System Fund	Water Fund	Old Orchard Park Fund	Health and Community Center Fund		
<u>Cash Flows From Operating Activities</u>						
Receipts From Customers	\$ 968,209	\$ 959,410	\$ 888,832	\$ 18,219	\$ 0	\$ 2,834,670
Payments to Suppliers for Goods and Services	(490,716)	(912,797)	(245,800)	(31,796)	0	(1,681,109)
Payments to Employees for Services	(174)	(270)	(352,541)	(36,270)	0	(389,255)
Net Cash Provided (Used) by Operating Activities	<u>477,319</u>	<u>46,343</u>	<u>290,491</u>	<u>(49,847)</u>	<u>0</u>	<u>764,306</u>
<u>Cash Flows From Non-Capital Financing Activities</u>						
State Grants Received	37,964	0	0	0	0	37,964
Cash Received from (Paid to) Other Funds	(45,336)	(48,300)	(144,923)	95,149	0	(143,410)
Local Contributions Received	0	0	0	400	0	400
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(7,372)</u>	<u>(48,300)</u>	<u>(144,923)</u>	<u>95,549</u>	<u>0</u>	<u>(105,046)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>						
Federal Grants Received	0	321,350	0	0	0	321,350
Proceeds from Sale of Capital Assets	0	0	0	258,117	0	258,117
Acquisition and Construction of Capital Assets	0	(690,833)	0	0	0	(690,833)
Investment in Iosco Exploration Trail	0	(67,968)	0	0	0	(67,968)
Principal Paid on Long-Term Debt	(279,000)	0	0	0	0	(279,000)
Interest and Fees Paid on Long-Term Debt	(79,339)	0	0	0	0	(79,339)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(358,339)</u>	<u>(437,451)</u>	<u>0</u>	<u>258,117</u>	<u>0</u>	<u>(537,673)</u>
<u>Cash Flows From Investing Activities</u>						
Interest on Investments	24,339	26,960	12,158	2,445	88	65,990
Purchase of Investment Securities	(45,033)	233,272	(8,897)	(77,374)	0	101,968
Net Cash Provided (Used) by Investing Activities	<u>(20,694)</u>	<u>260,232</u>	<u>3,261</u>	<u>(74,929)</u>	<u>88</u>	<u>167,958</u>
Net Increase (Decrease) in Cash and Cash Equivalents	90,914	(179,176)	148,829	228,890	88	289,545
Cash and Cash Equivalents at Beginning of Year	<u>349,117</u>	<u>695,997</u>	<u>136,532</u>	<u>31,287</u>	<u>28,143</u>	<u>1,241,076</u>
Cash and Cash Equivalents at End of Year	<u>\$ 440,031</u>	<u>\$ 516,821</u>	<u>\$ 285,361</u>	<u>\$ 260,177</u>	<u>\$ 28,231</u>	<u>\$ 1,530,621</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>						
Operating Income (Loss)	\$ 297,283	\$ (72,685)	\$ 218,569	\$ (60,727)	\$ 0	\$ 382,440
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation and Amortization Expense	196,784	177,202	24,830	17,094	0	415,910
Change in Assets and Liabilities:						
Accounts Receivable, Net	4,754	13,192	0	0	0	17,946
Inventory	0	(98,206)	0	0	0	(98,206)
Due from Local Units	(212)	1,259	0	0	0	1,047
Due from Federal Government	(4,840)	0	0	0	0	(4,840)
Prepaid Items	0	0	(3,623)	0	0	(3,623)
Accounts Payable and Accrued Liabilities	(16,450)	25,581	2,962	(8,689)	0	3,404
Due to State	0	0	6,660	2,475	0	9,135
Unearned Revenue	0	0	37,425	0	0	37,425
Accrued Compensated Absences	0	0	3,668	0	0	3,668
Net Cash Provided (Used) by Operating Activities	<u>\$ 477,319</u>	<u>\$ 46,343</u>	<u>\$ 290,491</u>	<u>\$ (49,847)</u>	<u>\$ 0</u>	<u>\$ 764,306</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, 2019

	<u>Tax Account</u>	<u>Trailer Tax Collection Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 1,335,745	\$ 0	\$ 1,335,745
Due from Local Units	<u>0</u>	<u>649</u>	<u>649</u>
Total Assets	<u>\$ 1,335,745</u>	<u>\$ 649</u>	<u>\$ 1,336,394</u>
<u>Liabilities</u>			
Due to Local Units	\$ <u>29,767</u>	\$ <u>649</u>	\$ <u>30,416</u>
<u>Deferred Inflows of Resources</u>			
Property Taxes Levied for Next Year	<u>1,305,978</u>	<u>0</u>	<u>1,305,978</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,335,745</u>	<u>\$ 649</u>	<u>\$ 1,336,394</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, 2019

	<u>Tax Account</u>	<u>Trailer Tax Collection Fund</u>	<u>Total</u>
<u>Additions</u>			
Property Taxes Collected for Other Governments	\$ 7,797,382	\$ 0	\$ 7,797,382
Trailer Tax Fees Collected for Other Governments	<u>0</u>	<u>3,618</u>	<u>3,618</u>
Total Additions	<u>7,797,382</u>	<u>3,618</u>	<u>7,801,000</u>
<u>Deductions</u>			
Property Taxes Distributed to Other Governments	7,797,382	0	7,797,382
Trailer Tax Fees Distributed to Other Governments	<u>0</u>	<u>3,618</u>	<u>3,618</u>
Total Deductions	<u>7,797,382</u>	<u>3,618</u>	<u>7,801,000</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, 2019

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 Units

The component units columns on the combined financial statements include the financial data of the Township's component units. They are reported in separate columns to emphasize that they are legally separate from the Township.

a. Governmental Activity and Fund Type Component Units:

Charter Township of Oscoda Downtown Development Authority - The Downtown Development Authority was established in 1984 and is under the supervision and control of the Charter Township of Oscoda pursuant to the Downtown Development Authority Act, Public Act 197 of 1975, as amended. The governing body of the Downtown Development Authority is appointed by the Township Board. The Authority was established to halt property value deterioration and to increase property tax valuation where possible in the business district of the Township, to eliminate the causes of that deterioration and to promote economic growth. Financial statements for the Downtown Development Authority are presented as part of other supplementary information and are not audited separately. The Authority's dissolution was formally approved by the Township Board on April 22, 2019.

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

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.

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, 2019 was \$27,705. 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.

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Joint Ventures (Continued)

Huron Shore Regional Utility Authority (Continued)

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, 2019 was \$411,031. 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.

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.

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

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:

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.

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.

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

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.

Health and Community Center Fund - This fund was used to track the operations of the Township Community Center. However, the Community Center was sold on June 19, 2019, and therefore the fund was closed, with the remaining dollars being due to the General Fund at year end.

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.

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.

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Measurement Focus (Continued)

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.

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.

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Basis of Accounting (Continued)

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.

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 \$13,866 balance for special assessments receivable, the entire amount is expected to be collected in the next fiscal year and is considered to be current.

The allowance for doubtful accounts at December 31, 2019 was \$0 for the primary government and the component units.

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.

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, community center, 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.

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. In the current year, the Township had two Special Items. First was the result of the Downtown Development Authority dissolving, providing for contributed assets to the Township of \$717,784. The second Special Item was the result of the Artisan Hall being considered impaired in the current year, for a loss of \$117,484.

X. 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.

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.

Y. 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.

Z. Reclassifications

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

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2019, the Township has implemented Governmental Accounting Standards Board (GASB) Statement Number 84, "Fiduciary Activities" and GASB Statement Number 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements".

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	Governmental Activities	Business- Type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and Cash Equivalents	\$ 2,326,251	\$ 1,459,849	\$ 1,335,745	\$ 5,121,845	\$ 274,261
Investments	3,513,088	2,135,398	0	5,648,486	0
Restricted Cash and Cash Equivalents	56,424	70,772	0	127,196	0
Restricted Investments	<u>0</u>	<u>51,987</u>	<u>0</u>	<u>51,987</u>	<u>0</u>
Total	<u>\$ 5,895,763</u>	<u>\$ 3,718,006</u>	<u>\$ 1,335,745</u>	<u>\$ 10,949,514</u>	<u>\$ 274,261</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Component Units
Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	\$ 8,835,374	\$ 274,261
Investments in Financial Institution Pooled Funds	2,110,536	0
Petty Cash and Cash on Hand	<u>3,604</u>	<u>0</u>
Total	<u>\$ 10,949,514</u>	<u>\$ 274,261</u>

As of December 31, 2019, the Township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Specific Identification Maturities</u>
Primary Government: Investment Pools	<u>\$ 2,110,536</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.

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2019, \$7,809,422 of the Township's bank balance of \$9,059,422 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Deposits - Component Units

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, 2019, \$49,564 of the Downtown Development Authority's bank balance of \$49,564 and \$224,912 of the Local Development Finance Authority's bank balance of \$224,912 were exposed to custodial credit risk because it was uninsured and uncollateralized.

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:

- λ Accounts of federally insured banks, credit unions and savings and loan associations
- λ Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- λ United States government or federal agency obligation repurchase agreements
- λ 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

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of December 31, 2019 were as follows:

Due to	Due from				Total
	General Fund	Health and Community Center Fund	Non-major Governmental Funds	Non-major Enterprise Funds	
General Fund	\$ 0	\$ 360,541	\$ 7,896	\$ 28,231	\$ 396,668
Property Operation and Maintenance Fund	11,000	0	0	0	11,000
Sewage Disposal System Fund	336	0	0	0	336
Water Fund	3,300	0	0	0	3,300
Non-major Governmental Funds	6,774	0	0	0	6,774
	<u>\$ 21,410</u>	<u>\$ 360,541</u>	<u>\$ 7,896</u>	<u>\$ 28,231</u>	<u>\$ 418,078</u>

Due to Primary Government

Downtown Development Authority

\$ 37,800

Due from Component Unit

General Fund

\$ 37,800

These balances result from the time lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended December 31, 2019, was as follows:

	Balance 01/01/19	Additions	Deletions	Balance 12/31/19
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 5,615,833	\$ 52,261	\$ (58,230)	\$ 5,609,864
Construction in Progress	0	47,105	0	47,105
Subtotal	<u>5,615,833</u>	<u>99,366</u>	<u>(58,230)</u>	<u>5,656,969</u>
Capital Assets Being Depreciated:				
Land Improvements	1,898,661	548,473	0	2,447,134
Buildings and Improvements	5,445,143	277,375	(117,484)	5,605,034
Machinery and Equipment	761,513	78,769	(25,000)	815,282
Vehicles	1,948,541	73,027	(136,420)	1,885,148
Subtotal	<u>10,053,858</u>	<u>977,644</u>	<u>(278,904)</u>	<u>10,752,598</u>

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019
<u>Governmental Activities (Continued)</u>				
Less Accumulated Depreciation for:				
Land Improvements	\$ (781,732)	\$ (235,341)	\$ 0	\$ (1,017,073)
Buildings and Improvements	(2,058,764)	(156,394)	0	(2,215,158)
Machinery and Equipment	(590,290)	(38,922)	25,000	(604,212)
Vehicles	(1,336,739)	(159,576)	136,420	(1,359,895)
Subtotal	<u>(4,767,525)</u>	<u>(590,233)</u>	<u>161,420</u>	<u>(5,196,338)</u>
Capital Assets Being Depreciated	<u>5,286,333</u>	<u>387,411</u>	<u>(117,484)</u>	<u>5,556,260</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 10,902,166</u>	<u>\$ 486,777</u>	<u>\$ (175,714)</u>	<u>\$ 11,213,229</u>

\$170,385 of the \$590,233 accumulated depreciation additions reported above was included in the capital contribution from the Downtown Development Authority.

	Balance 01/01/19	Additions	Deletions	Balance 12/31/19
<u>Business-Type Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 22,885	\$ 0	\$ 0	\$ 22,885
Construction in Progress	<u>375,600</u>	<u>340,223</u>	<u>0</u>	<u>715,823</u>
Subtotal	<u>398,485</u>	<u>340,223</u>	<u>0</u>	<u>738,708</u>
Capital Assets Being Depreciated:				
Land Improvements	265,485	0	(56,184)	209,301
Buildings and Improvements	1,248,040	0	(885,755)	362,285
Machinery and Equipment	853,289	18,830	0	872,119
Infrastructure	<u>14,503,087</u>	<u>42,940</u>	<u>0</u>	<u>14,546,027</u>
Subtotal	<u>16,869,901</u>	<u>61,770</u>	<u>(941,939)</u>	<u>15,989,732</u>
Less Accumulated Depreciation for:				
Land Improvements	(113,084)	(11,869)	41,202	(83,751)
Buildings and Improvements	(591,238)	(32,148)	341,706	(281,680)
Machinery and Equipment	(559,849)	(61,686)	0	(621,535)
Infrastructure	<u>(6,730,901)</u>	<u>(307,784)</u>	<u>0</u>	<u>(7,038,685)</u>
Subtotal	<u>(7,995,072)</u>	<u>(413,487)</u>	<u>382,908</u>	<u>(8,025,651)</u>
Capital Assets Being Depreciated	<u>8,874,829</u>	<u>(351,717)</u>	<u>(559,031)</u>	<u>7,964,081</u>
Business-Type Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 9,273,314</u>	<u>\$ (11,494)</u>	<u>\$ (559,031)</u>	<u>\$ 8,702,789</u>

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 5 - CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

General Government	\$ 21,100
Public Safety	142,108
Public Works	39,144
Community and Economic Development	153,153
Recreation and Cultural	<u>64,343</u>

Total Governmental Activities \$ 419,848

Business-Type Activities

Sewer	\$ 194,361
Water	177,202
Old Orchard Park	24,830
Community Center	<u>17,094</u>

Total Business-Type Activities \$ 413,487

Capital asset activity of the Downtown Development Authority for the current year is as follows:

	Balance 01/01/19	Additions	Deletions	Balance 12/31/19
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 52,261	\$ 0	\$ (52,261)	\$ 0
Capital Assets Being Depreciated:				
Land Improvements	520,733	0	(520,733)	0
Buildings and Improvements	<u>277,375</u>	<u>0</u>	<u>(277,375)</u>	<u>0</u>
Subtotal	<u>798,108</u>	<u>0</u>	<u>(798,108)</u>	<u>0</u>
Less Accumulated Depreciation for:				
Land Improvements	(159,253)	(6,509)	165,762	0
Buildings and Improvements	<u>(2,889)</u>	<u>(1,734)</u>	<u>4,623</u>	<u>0</u>
Subtotal	<u>(162,142)</u>	<u>(8,243)</u>	<u>170,385</u>	<u>0</u>
Capital Assets Being Depreciated	<u>635,966</u>	<u>(8,243)</u>	<u>(627,723)</u>	<u>0</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 688,227</u>	<u>\$ (8,243)</u>	<u>\$ (679,984)</u>	<u>\$ 0</u>

Depreciation expense was charged to programs of the Downtown Development Authority as follows:

Governmental Activities

Community and Economic Development	\$ <u>8,243</u>
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CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 6 - 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 Governmental Funds:

Property Operation and Maintenance Fund - Rent	\$ 5,806
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Major Business-Type Activity Funds:

Old Orchard Park Fund - User Fees	90,942
Water Fund - Grant	9,530

Non-Major Enterprise Funds - User Fees	<u>885</u>
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Total	\$ <u><u>107,163</u></u>
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NOTE 7 - LONG-TERM LIABILITIES

Primary Government:

	<u>Governmental</u>	<u>Business-Type</u>
A. <u>Bonds Payable</u>		
2011 Sewage Disposal System Refunding Bonds	\$ 0	\$ 913,000
Capital Improvement Bond, Series 2015A	0	1,580,183
Capital Improvement Bond, Series 2015B	<u>0</u>	<u>335,000</u>
Total Bonds Payable	<u><u>0</u></u>	<u><u>2,828,183</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.

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

B. Detailed Long-Term Debt Disclosures (Continued)

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.

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, 2019, the accumulated vested vacation and sick leave benefits of the employees of various Township departments were as follows:

	Current Liability	Long-Term Liability	Total Balance
	<u>12/31/19</u>	<u>12/31/19</u>	<u>12/31/19</u>
<u>Accrued Employee Benefits Payable</u>			
<u>Primary Government</u>			
Governmental Activities	\$ 0	\$ 103,495	\$ 103,495
Business-Type Activities	<u>0</u>	<u>12,782</u>	<u>12,782</u>
	<u>\$ 0</u>	<u>\$ 116,277</u>	<u>\$ 116,277</u>

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

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

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, 2019:

	<u>Balance 01/01/19</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance 12/31/19</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Primary Government:					
Direct Borrowing:					
Installment Purchases Payable	\$ 60,499	\$ 0	\$ (60,499)	\$ 0	\$ 0
Compensated Absences	<u>106,487</u>	<u>0</u>	<u>(2,992) *</u>	<u>103,495</u>	<u>0</u>
Total Primary Government	<u>\$ 166,986</u>	<u>\$ 0</u>	<u>\$ (63,491)</u>	<u>\$ 103,495</u>	<u>\$ 0</u>
Component Units:					
Direct Borrowing:					
Installment Purchases Payable	<u>\$ 88,000</u>	<u>\$ 0</u>	<u>\$ (88,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Business-Type Activities</u>					
Primary Government:					
Direct Borrowing:					
Bonds Payable	\$ 3,107,183	\$ 0	\$ (279,000)	\$ 2,828,183	\$ 293,000
Compensated Absences	<u>9,114</u>	<u>3,668 *</u>	<u>0</u>	<u>12,782</u>	<u>0</u>
Total Primary Government	<u>\$ 3,116,297</u>	<u>\$ 3,668</u>	<u>\$ (279,000)</u>	<u>\$ 2,840,965</u>	<u>\$ 293,000</u>

*Represents net of additions and retirements for the year.

The interest expense on long-term obligations for the year was \$77,982.

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

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

The annual aggregate maturities for all debt outstanding (excluding compensated absences) as of December 31, 2019 are as follows:

Direct Borrowing:

Primary Government

Bonds Payable	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2020	\$ 0	\$ 0	\$ 293,000	\$ 71,858	\$ 364,858
2021	0	0	307,000	64,002	371,002
2022	0	0	315,000	55,845	370,845
2023	0	0	333,000	47,214	380,214
2024	0	0	350,000	38,095	388,095
2025 - 2029	0	0	530,000	118,139	648,139
2030 - 2034	0	0	530,000	53,779	583,779
2035 - 2036	0	0	170,183	3,126	173,309
Total	\$ 0	\$ 0	\$ 2,828,183	\$ 452,058	\$ 3,280,241

NOTE 8 - 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, 2018 levy, which is considered to be revenue for the 2019 fiscal year, the taxable value for properties located within the Township was \$289,958,459. The 2018 tax rates are currently 4.6908 mills for operating, .9000 for fire equipment, .0989 for seniors, .8000 for police, and .7000 for police staffing.

NOTE 9 - OPERATING TRANSFERS

During the year ended December 31, 2019, the following transfers were made:

Transfer to	Transfer from								Total
	General Fund	Property Operation and Maintenance Fund	Non-major Governmental Funds	Sewer Fund	Water Fund	Old Orchard Park Fund	Health and Community Center Fund	Non-major Enterprise Funds	
General Fund	\$ 0	\$ 44,800	\$ 7,896	\$ 45,000	\$ 45,000	\$ 124,923	\$ 360,541	\$ 28,231	\$ 656,391
Police Fund	1,132,055	0	0	0	0	0	0	0	1,132,055
Non-major Governmental Funds	40,000	0	0	0	0	20,000	0	0	60,000
Health and Community Center Fund	0	95,149	0	0	0	0	0	0	95,149
	\$ 1,172,055	\$ 139,949	\$ 7,896	\$ 45,000	\$ 45,000	\$ 144,923	\$ 360,541	\$ 28,231	\$ 1,943,595

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.

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 10 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

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

During the year ended December 31, 2019, the Township incurred expenditures which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund/Capital Outlay	\$ 91,245	\$ 750,367	\$ 659,122

NOTE 11 - 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.

Benefits Provided

02 - Police: Open Division

	<u>2018 Valuation</u>
Benefit Multiplier:	Bridged Benefit: 2.50% Multiplier (80% max) Frozen FAC; to 2.25% 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

20 - Pol Chief: Closed to new hires

	<u>2018 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

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Employees Covered by Benefit Terms

At the December 31, 2018 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	<u>10</u>
	<u>29</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 \$1,197 per month for the closed division and 24.98% of annual payroll for the open division.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2018, 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, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.75% 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: 7.75%, 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 3.75% 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.

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:

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Gross Rate of Return</u>	<u>Long-Term Expected Gross Rate of Return</u>	<u>Inflation Assumption</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	55.5%	8.65%	4.80%	2.50%	3.41%
Global Fixed Income	18.5%	3.76%	0.70%	2.50%	0.24%
Private Investments	26.0%	8.65%	2.25%	2.50%	1.60%
Total	100.0%		7.75%		5.25%

Discount Rate

The discount rate used to measure the total pension liability is 8.0%. 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.

Changes in Net Pension Liability

<u>Calculating the Net Pension Liability</u>			
	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances at 12/31/18	\$ 4,338,809	\$ 2,530,404	\$ 1,808,405
Changes for the Year			
Service Cost	82,743	0	82,743
Interest on Total Pension Liability	339,202	0	339,202
Changes in benefits	0	0	0
Difference between expected and actual experience	31,401	0	31,401
Changes in assumptions	0	0	0
Employer contributions	0	174,801	(174,801)
Employee contributions	0	45,060	(45,060)
Net investment income	0	340,371	(340,371)
Benefit payments, including employee refunds	(280,320)	(280,320)	0
Administrative expense	0	(5,861)	5,861
Other changes	(15,513)	0	(15,513)
Net changes	157,513	274,051	(116,538)
Balances as of 12/31/19	\$ 4,496,322	\$ 2,804,455	\$ 1,691,867

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

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 8.0%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.0%) or 1% higher (9.0%) than the current rate.

	<u>1% Decrease (7.0%)</u>	<u>Current Discount Rate (8.0%)</u>	<u>1% Increase (9.0%)</u>
Township's net pension liability	\$ 2,230,846	\$ 1,691,867	\$ 1,241,289

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.

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

For the year ended December 31, 2019, the employer recognized pension expense of \$307,696. The employer reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Deficit Investment Returns	\$ 12,201
Differences in Experience	<u>49,637</u>
Total	<u><u>\$ 61,838</u></u>

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

<u>Year Ended</u>	<u>Pension Expense</u>
2020	\$ 23,277
2021	23,066
2022	43,614
2023	(28,119)

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 12 - 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 \$72,553, 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.

NOTE 13 - 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 14 - 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 \$33,279 as of December 31, 2019.

NOTE 15 - 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, 2019.

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 16 - 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.

NOTE 17 - 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, 2019, 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.

NOTE 18 - IDLE IMPAIRED CAPITAL ASSETS

The Artisan Hall was closed down in the current year and is currently listed for sale. The carrying value of the land and building at December 31, 2019 was \$297,884. An impairment loss was therefore recorded in the current year for \$117,484, as the carrying value was higher than the estimated fair value of \$180,400.

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 19 - PRIOR PERIOD ADJUSTMENT

The following prior period adjustments were required to adjust the balances as of December 31, 2018:

Adjustment 1 - GASB Statement No. 84 requires governments to evaluate activities that had historically been recorded as fiduciary activities and determine whether they are truly fiduciary activities or whether they should be recorded otherwise. This resulted in the Township electing to reclassify some prior year activity into the General Fund and Property Operations and Maintenance Fund, and the creation of a new fund, the Drug Law Enforcement Fund, for other activity that required special revenue recognition. The effect of all three instances was an increase in the beginning fund balances.

Adjustment 2 - The Downtown Development Authority overpaid the General Fund for their portion of shared expenses in a prior year. Therefore, a prior period adjustment was made to reduce beginning fund balance in the General Fund and increase beginning fund balance in the Downtown Development Authority for the overpayment.

	Primary Government				Downtown Development Authority	
	Governmental Activities	General Fund	Property Operations and Maintenance Fund	Drug Law Enforcement Fund	Governmental Activities	Downtown Development Authority Fund
Net Position/Fund Balance - Beginning	\$ 14,693,672	\$ 1,740,413	\$ 2,840,292	\$ 0	\$ 642,560	\$ 42,956
Adjustment 1	19,843	2,069	11,000	6,774	0	0
Adjustment 2	(9,750)	(9,750)	0	0	9,750	9,750
Net Position/Fund Balance - Beginning (Restated)	<u>\$ 14,703,765</u>	<u>\$ 1,732,732</u>	<u>\$ 2,851,292</u>	<u>\$ 6,774</u>	<u>\$ 652,310</u>	<u>\$ 52,706</u>

NOTE 20 - SUBSEQUENT EVENTS

On January 13, 2020, the Township approved paying \$61,170 for vector truck repairs. Additionally, the Township approved purchasing a Trackless MT7 Sidewalk Tractor with a snow blower and plow from Bell Equipment Company for \$148,812.

On January 24, 2020, the Township approved \$349,709 for water meter replacement and radio read installation to Hydro Corp for installation and Ferguson for the meters. Additionally, the Township approved paying \$529,019 to Halt Fire, Inc. for a new fire truck. The Charter Township of AuSable is paying \$129,610 toward the fire truck.

On April 3, 2020, the Township was served notice that they are being named as a defendant in a lawsuit. the outcome of this suite is not presently determinable. In the opinion of the Township's attorney, it is too premature to determine whether or not the resolution fo this matter will have a material adverse effect on the financial condition of the Township.

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 21 - COMMITMENTS

The Township has a contractual commitment in the amount of \$1,489,586 outstanding at December 31, 2019.

As of December 31, 2019, the Township had the following commitment outstanding:

<u>Project</u>	<u>Total Contract</u>	<u>Remaining Commitment at December 31, 2019</u>	<u>Contract Payable at December 31, 2019</u>
Water Main Extension Phase Two Engineering and Construction - Rowe Professional Services Company	\$ <u>230,000</u>	\$ <u>110,169</u>	\$ <u>0</u>
Water Main Extension Phase Two - Elmer's Crane and Dozer	<u>1,379,417</u>	<u>1,379,417</u>	<u>0</u>
Total	\$ <u>1,609,417</u>	\$ <u>1,489,586</u>	\$ <u>0</u>

On July 22, 2019, the Township approved the purchase of a 2020 Ford Police Interceptor with Signature Ford for \$33,089. On November 11, 2019, the Township approved the purchase of a DPW utility truck with Gorno Ford for \$26,560. On November 25, 2019, the Township approved electrical upgrades at Old Orchard Park with Haney Electric for \$85,858.

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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability					
Service cost	\$ 82,743	\$ 73,703	\$ 77,609	\$ 65,962	\$ 77,520
Interest	339,202	328,005	339,416	318,286	307,839
Changes of benefit terms	0	(6,110)	(341,131)	0	0
Difference between expected and actual experience	31,401	22,163	60,026	69,639	0
Changes of assumptions	0	0	0	206,315	0
Benefit payments, including employee refunds	(280,320)	(274,929)	(270,686)	(266,619)	(240,015)
Other	<u>(15,513)</u>	<u>(4,698)</u>	<u>(3,799)</u>	<u>(12,678)</u>	<u>357</u>
Net Change in Total Pension Liability	157,513	138,134	(138,565)	380,905	145,701
Total Pension Liability - Beginning	<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>\$ 4,496,322</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	\$ 174,801	\$ 139,052	\$ 146,491	\$ 117,485	\$ 125,215
Employee contributions	45,060	37,008	30,844	24,770	25,904
Net investment income	340,371	(104,452)	327,316	264,570	(36,992)
Benefit payments, including employee refunds	(280,320)	(274,929)	(270,686)	(266,619)	(240,015)
Administrative expense	(5,861)	(5,233)	(5,189)	(5,226)	(5,416)
Other	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>
Net Change in Plan Fiduciary Net Position	274,051	(208,554)	228,777	134,980	(131,304)
Plan Fiduciary Net Position - Beginning	<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>\$ 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>\$ 1,691,867</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	62%	58%	65%	58%	60%
Covered Employee Payroll	\$ 569,253	\$ 517,398	\$ 495,390	\$ 435,057	\$ 529,984
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	297%	350%	295%	420%	299%

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Year Ended December 31, 2019

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

Notes to Schedule

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years for the open plan and 10 years for the closed plan
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	60; 50 with 25 years of service, unreduced, or 55 with 15 years of service, reduced, for the closed plan. 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, 2019

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Property Taxes	\$ 1,447,000	\$ 1,447,000	\$ 1,484,639	\$ 37,639
Property Taxes - Senior Center	26,500	26,500	27,705	1,205
State Grants and Revenue	598,500	598,500	684,007	85,507
Charges for Services	520,099	568,103	549,261	(18,842)
Interest and Rentals	19,000	19,000	40,781	21,781
Special Assessments	70,000	70,000	23,715	(46,285)
Other Revenue	20,750	20,750	52,658	31,908
Total Revenue	<u>2,701,849</u>	<u>2,749,853</u>	<u>2,862,766</u>	<u>112,913</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative	23,794	23,794	19,637	4,157
Chief Executive	189,661	189,660	183,792	5,868
Financial and Tax Administration	488,045	488,046	450,709	37,337
Other General Government	510,795	502,173	431,241	70,932
Public Safety	164,150	168,993	124,981	44,012
Public Works	100,000	116,260	116,260	0
Community and Economic Development	213,476	223,205	199,463	23,742
Recreation and Cultural	365,250	509,454	279,598	229,856
Capital Outlay	53,300	91,245	750,367	(659,122)
Total Expenditures	<u>2,108,471</u>	<u>2,312,830</u>	<u>2,556,048</u>	<u>(243,218)</u>
Excess of Revenue Over (Under) Expenditures	<u>593,378</u>	<u>437,023</u>	<u>306,718</u>	<u>(130,305)</u>
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	3,000	3,000	47,715	44,715
Operating Transfers In	259,723	259,723	656,391	396,668
Operating Transfers Out	(1,100,607)	(1,172,055)	(1,172,055)	0
Total Other Financing Sources (Uses)	<u>(837,884)</u>	<u>(909,332)</u>	<u>(467,949)</u>	<u>441,383</u>
<u>Special Item</u>				
Contributed Assets from DDA Dissolution	<u>0</u>	<u>0</u>	<u>717,784</u>	<u>(717,784)</u>
Net Change in Fund Balances	(244,506)	(472,309)	556,553	1,028,862
Fund Balances - Beginning of Year (Restated)	<u>1,732,732</u>	<u>1,732,732</u>	<u>1,732,732</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 1,488,226</u>	<u>\$ 1,260,423</u>	<u>\$ 2,289,285</u>	<u>\$ 1,028,862</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, 2019

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Interest and Rentals	\$ 386,045	\$ 386,045	\$ 446,319	\$ 60,274
<u>Expenditures</u>				
Current:				
Community and Economic Development	388,051	394,051	302,739	91,312
Capital Outlay	137,000	131,000	40,979	90,021
Total Expenditures	525,051	525,051	343,718	181,333
Excess of Revenue Over (Under) Expenditures	(139,006)	(139,006)	102,601	241,607
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	0	0	36,318	36,318
Operating Transfers Out	(139,949)	(139,949)	(139,949)	0
Total Other Financing Sources (Uses)	(139,949)	(139,949)	(103,631)	36,318
Net Change in Fund Balances	(278,955)	(278,955)	(1,030)	277,925
Fund Balances - Beginning of Year (Restated)	2,851,292	2,851,292	2,851,292	0
Fund Balances - End of Year	<u>\$ 2,572,337</u>	<u>\$ 2,572,337</u>	<u>\$ 2,850,262</u>	<u>\$ 277,925</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, 2019

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Property Taxes	\$ 220,000	\$ 220,000	\$ 228,939	\$ 8,939
Federal Grants and Revenue	0	0	44,700	44,700
State Grants and Revenue	9,000	9,000	9,582	582
Charges for Services	0	0	12	12
Fines and Forfeits	4,000	4,000	6,099	2,099
Interest and Rentals	0	0	2,890	2,890
Other Revenue	<u>2,800</u>	<u>2,800</u>	<u>28,730</u>	<u>25,930</u>
Total Revenue	<u>235,800</u>	<u>235,800</u>	<u>320,952</u>	<u>85,152</u>
<u>Expenditures</u>				
Current:				
Public Safety	1,161,107	1,181,835	1,128,417	53,418
Capital Outlay	<u>129,500</u>	<u>186,020</u>	<u>138,230</u>	<u>47,790</u>
Total Expenditures	<u>1,290,607</u>	<u>1,367,855</u>	<u>1,266,647</u>	<u>101,208</u>
Excess of Revenue Over Expenditures	<u>(1,054,807)</u>	<u>(1,132,055)</u>	<u>(945,695)</u>	<u>186,360</u>
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	0	0	12,111	12,111
Operating Transfers In	<u>1,060,607</u>	<u>1,132,055</u>	<u>1,132,055</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>1,060,607</u>	<u>1,132,055</u>	<u>1,144,166</u>	<u>12,111</u>
Net Change in Fund Balances	5,800	0	198,471	198,471
Fund Balances - Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 5,800</u>	<u>\$ 0</u>	<u>\$ 198,471</u>	<u>\$ 198,471</u>

OTHER INFORMATION

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
December 31, 2019

	Special Revenue Funds									
	Road Improvement Fund	Forest Reserve Fund	Fire Equipment Fund	Police Staffing Fund	Old Orchard Park Improvement Fund	Public Improvement Fund	Library Fund	CDBG Renaissance Fund	Drug Law Enforcement Fund	Total Other Governmental Funds
Assets										
Cash and Cash Equivalents	\$ 88,323	\$ 15,380	\$ 316,851	\$ 17,971	\$ 10,022	\$ 82,371	\$ 36,675	\$ 3,823	\$ 0	\$ 571,416
Investments	0	5,594	100,000	0	81,570	118,855	78,084	4,073	0	388,176
Receivables:										
Property Taxes	0	0	266,873	207,568	0	0	0	0	0	474,441
Special Assessments	1,719	0	0	0	0	0	0	0	0	1,719
Due from Local Units	1,672	12,400	0	0	0	0	0	0	0	14,072
Due from State	0	0	548	426	0	0	0	0	0	974
Due from Other Funds	0	0	0	0	0	0	0	0	6,774	6,774
Prepaid Items	0	0	0	2,317	0	0	1,080	0	0	3,397
Restricted Assets:										
Cash and Cash Equivalents	0	0	0	0	56,424	0	0	0	0	56,424
Total Assets	\$ 91,714	\$ 33,374	\$ 684,272	\$ 228,282	\$ 148,016	\$ 201,226	\$ 115,839	\$ 7,896	\$ 6,774	\$ 1,517,393
Liabilities										
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 362	\$ 1,798	\$ 0	\$ 1,468	\$ 0	\$ 0	\$ 3,628
Due to Other Funds	0	0	0	0	0	0	0	7,896	0	7,896
Due to Other Units of Government	0	0	0	325	0	0	0	0	0	325
Accrued Liabilities	0	0	0	9,131	0	0	4,123	0	0	13,254
Total Liabilities	0	0	0	9,818	1,798	0	5,591	7,896	0	25,103
Deferred Inflows of Resources										
Property Taxes Levied for Next Year	0	0	266,873	207,568	0	0	0	0	0	474,441
Unavailable Revenue - Timber Payment	0	12,400	0	0	0	0	0	0	0	12,400
Total Deferred Inflows of Resources	0	12,400	266,873	207,568	0	0	0	0	0	486,841
Fund Equity										
Fund Balances:										
Nonspendable:										
Prepaid Items	0	0	0	2,317	0	0	1,080	0	0	3,397
Restricted For:										
Capital Projects	0	0	0	0	56,424	112,718	0	0	0	169,142
Drug Enforcement	0	0	0	0	0	0	0	0	6,774	6,774
Library Activities	0	0	0	0	0	0	109,168	0	0	109,168
Cemetery	0	0	0	0	0	88,508	0	0	0	88,508
Road Improvement	91,714	0	0	0	0	0	0	0	0	91,714
Forest Roads	0	20,974	0	0	0	0	0	0	0	20,974
Fire Equipment	0	0	417,399	0	0	0	0	0	0	417,399
Police Staffing	0	0	0	8,579	0	0	0	0	0	8,579
Committed To:										
Capital Projects	0	0	0	0	89,794	0	0	0	0	89,794
Total Fund Equity	91,714	20,974	417,399	10,896	146,218	201,226	110,248	0	6,774	1,005,449
Total Liabilities, Deferred Inflows of Resources and Fund Equity	\$ 91,714	\$ 33,374	\$ 684,272	\$ 228,282	\$ 148,016	\$ 201,226	\$ 115,839	\$ 7,896	\$ 6,774	\$ 1,517,393

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, 2019

	Special Revenue Funds									
	Road Improvement Fund	Forest Reserve Fund	Fire Equipment Fund	Police Staffing Fund	Old Orchard Park Improvement Fund	Public Improvement Fund	Library Fund	CDBG Renaissance Fund	Drug Law Enforcement Fund	Total Other Governmental Funds
<u>Revenue</u>										
Property Taxes	\$ 0	\$ 0	\$ 257,576	\$ 200,318	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 457,894
Federal Grants and Revenue	0	12,274	0	0	0	0	0	0	0	12,274
Contributions from Local Units	0	0	0	0	0	0	101,354	0	0	101,354
Charges for Services	20,188	0	38,016	0	0	7,775	0	0	0	65,979
Interest and Rentals	267	195	1,204	316	2,361	4,297	2,090	113	0	10,843
Special Assessments	3,390	0	0	0	0	0	0	0	0	3,390
Other Revenue	0	0	0	0	0	0	1,231	0	0	1,231
Total Revenue	<u>23,845</u>	<u>12,469</u>	<u>296,796</u>	<u>200,634</u>	<u>2,361</u>	<u>12,072</u>	<u>104,675</u>	<u>113</u>	<u>0</u>	<u>652,965</u>
<u>Expenditures</u>										
Current:										
General Government:										
Other General Government	0	0	0	0	0	1,950	0	0	0	1,950
Public Safety	0	0	5,337	189,004	0	0	0	0	0	194,341
Public Works	21,019	0	0	0	0	0	0	0	0	21,019
Recreation and Cultural	0	0	0	0	56,030	0	113,602	0	0	169,632
Capital Outlay	0	0	64,874	734	12,298	4,000	1,120	0	0	83,026
Debt Service:										
Principal	0	0	60,499	0	0	0	0	0	0	60,499
Interest and Fiscal Charges	0	0	994	0	0	0	0	0	0	994
Total Expenditures	<u>21,019</u>	<u>0</u>	<u>131,704</u>	<u>189,738</u>	<u>68,328</u>	<u>5,950</u>	<u>114,722</u>	<u>0</u>	<u>0</u>	<u>531,461</u>
Excess of Revenue Over (Under) Expenditures	<u>2,826</u>	<u>12,469</u>	<u>165,092</u>	<u>10,896</u>	<u>(65,967)</u>	<u>6,122</u>	<u>(10,047)</u>	<u>113</u>	<u>0</u>	<u>121,504</u>
<u>Other Financing Sources (Uses)</u>										
Operating Transfers In	40,000	0	0	0	20,000	0	0	0	0	60,000
Operating Transfers Out	0	0	0	0	0	0	0	(7,896)	0	(7,896)
Total Other Financing Sources (Uses)	<u>40,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>(7,896)</u>	<u>0</u>	<u>52,104</u>
Net Change in Fund Balances	42,826	12,469	165,092	10,896	(45,967)	6,122	(10,047)	(7,783)	0	173,608
Fund Balances - Beginning of Year (Restated)	<u>48,888</u>	<u>8,505</u>	<u>252,307</u>	<u>0</u>	<u>192,185</u>	<u>195,104</u>	<u>120,295</u>	<u>7,783</u>	<u>6,774</u>	<u>831,841</u>
Fund Balances - End of Year	<u>\$ 91,714</u>	<u>\$ 20,974</u>	<u>\$ 417,399</u>	<u>\$ 10,896</u>	<u>\$ 146,218</u>	<u>\$ 201,226</u>	<u>\$ 110,248</u>	<u>\$ 0</u>	<u>\$ 6,774</u>	<u>\$ 1,005,449</u>

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

COMBINING BALANCE SHEET
DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT
GOVERNMENTAL FUNDS
December 31, 2019

	<u>Special Revenue Funds</u>		
	<u>Downtown Development Authority</u>	<u>DDA Operating Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ <u>23,109</u>	\$ <u>26,240</u>	\$ <u>49,349</u>
<u>Liabilities</u>			
Due to Primary Government	\$ 11,560	\$ 26,240	\$ 37,800
Due to Other Units of Government	<u>11,549</u>	<u>0</u>	<u>11,549</u>
Total Liabilities	23,109	26,240	49,349
Fund Equity	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Equity	\$ <u>23,109</u>	\$ <u>26,240</u>	\$ <u>49,349</u>

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - GOVERNMENTAL FUNDS
December 31, 2019

	<u>Special Revenue Funds</u>		
	<u>Downtown Development Authority</u>	<u>DDA Operating Fund</u>	<u>Total Governmental Funds</u>
<u>Revenue</u>			
Property Taxes	\$ 65,306	\$ 27,427	\$ 92,733
Interest and Rentals	1,908	67	1,975
Other Revenue	<u>238</u>	<u>0</u>	<u>238</u>
Total Revenue	<u>67,452</u>	<u>27,494</u>	<u>94,946</u>
<u>Expenditures</u>			
Current:			
Community and Economic Development	5,121	1,254	6,375
Capital Outlay	2,131	0	2,131
Debt Service:			
Principal	88,000	0	88,000
Interest and Fiscal Charges	<u>1,797</u>	<u>0</u>	<u>1,797</u>
Total Expenditures	<u>97,049</u>	<u>1,254</u>	<u>98,303</u>
Excess of Revenue Over (Under) Expenditures	(29,597)	26,240	(3,357)
<u>Special Item</u>			
Contributed Assets from DDA Dissolution	<u>(23,109)</u>	<u>(26,240)</u>	<u>(49,349)</u>
Net Change in Fund Balances	(52,706)	0	(52,706)
Fund Balances - Beginning of Year (Restated)	<u>52,706</u>	<u>0</u>	<u>52,706</u>
Fund Balances - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT -
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Total Net Change in Fund Balances - Governmental Funds	\$ (52,706)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Current Year Depreciation Expense	(8,243)
Principal repayments on long-term debt are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of repayments reported as expenditures in the governmental funds consist of:	
Installment Purchase Agreement Payable	88,000
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 Interest	623
The Downtown Development Authority transferred fixed assets to the Charter Township of Oscoda upon the Authority's dissolution. The related expense is reported in the statement of activities and does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds:	
Capital Contribution to the Township	<u>(679,984)</u>
Change in Net Position of Governmental Activities	\$ <u><u>(652,310)</u></u>

CHARTER TOWNSHIP OF OSCODA
Iosco County, Michigan

BALANCE SHEET
OSCODA-WURTSMITH AIRPORT LOCAL DEVELOPMENT FINANCE AUTHORITY -
COMPONENT UNIT - GOVERNMENTAL FUND
December 31, 2019

	<u>Special Revenue Fund Oscoda- Wurtsmith Airport Local Development Finance Authority</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 224,912
Receivables:	
Property Taxes	<u>125,613</u>
Total Assets	<u>\$ 350,525</u>
Liabilities	\$ 0
<u>Deferred Inflows of Resources</u>	
Property Taxes Levied for Next Year	125,613
<u>Fund Equity</u>	
Restricted For:	
Economic Development	<u>224,912</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	<u>\$ 350,525</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, 2019

	<u>Special Revenue Fund Oscoda- Wurtsmith Airport Local Development Finance Authority</u>
<u>Revenue</u>	
Property Taxes	\$ 105,445
Interest and Rentals	<u>684</u>
Total Revenue	106,129
<u>Expenditures</u>	
Current:	
Community and Economic Development	<u>34,818</u>
Excess of Revenue Over (Under) Expenditures	71,311
Fund Balance - Beginning of Year	<u>153,601</u>
Fund Balance - End of Year	<u>\$ 224,912</u>



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April 21, 2020

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Oscoda for the year ended Tuesday, December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 18, 2020. 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 20, 2020. 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.

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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. As described in Note 2 to the financial statements, the Charter Township of Oscoda changed accounting policies related to Fiduciary Activities by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 84, "Fiduciary Activities", in 2019. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial 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

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. 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 21, 2020 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 21, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the 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

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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 supplement 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, Charter Township of Oscoda Downtown Development Authority – component unit, 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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Charter Township of Oscoda as of and for the year ended Tuesday, December 31, 2019, 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 or significant deficiencies.

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 deficiency in internal control to be a material weakness:

FINANCIAL STATEMENT PREPARATION CONTROLS

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosure 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 of 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.

An example of where the Township relies on the auditor as a control for producing reliable financial statements is in the excessive number of adjusting journal entries proposed during the audit. By accounts not being adjusted monthly, the financial records provided to the Board each month are not an accurate reflection of the Township's standings. This then adds substantial time and testing during the audit in determining accurate balances. We believe that a review and evaluation of the transactions with proper monthly and yearly closing procedures being performed, would expedite the year-end closing process, reducing audit time and fees.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Charter Township of Oscoda's internal control to be a significant deficiency:

CASH RECONCILIATIONS

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements. During our audit, it was noted that although bank reconciliations were in fact being conducted, the timeliness of their preparation and review was unable to be verified, due to a lack in documentation by the preparer and reviewer.

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We recommend that management establish procedures to ensure that cash accounts are reconciled on a monthly basis, with a secondary review by someone who is not involved in the reconciliation process. Both the preparation and review should then be documented by initialing and dating directly on the reconciliation.

In addition, in reviewing the bank reconciliations we noted several outstanding checks more than three months old. To aid in the preparation of bank reconciliations and to reflect an accurate cash balance in the financial statements, all checks outstanding more than three months old should be investigated and acted upon, following the guidelines in the Michigan's Uniform Unclaimed Property Act.

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.

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 develop a spreadsheet that separates each project to its own column. 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.

BOARD MINUTES

Keeping accurate Board meeting minutes is important as it serves as the official and legal record of the decisions and actions taken by the Board of Directors. During the audit, the Township was unable to locate all the Downtown Development Authority's meeting minutes. All minutes should be kept in a safe and secure place since they are an important part of the Township's records and should be retained permanently. Although the Downtown Development Authority has since been dissolved, we recommend that the Township continue to look for the missing minutes, in order to have them on hand permanently, as required.

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/ Situation Corrected</u>	<u>Management Decision To Not Implement</u>	<u>Progress Made</u>	<u>Situation Still Exists</u>
Financial Statement Preparation Controls				X
Lack of Controls Over the Utility Billing Process	X			
Internal Controls Over Financial Software Applications	X			
Review of General Journal Entries	X			
Accounting for Camping Permits	X			
Recording of Interest for Investment Accounts			X	
Bank Transfer Authorization Controls	X			