

*Stephenson & Company, P.C.*

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CHARTER TOWNSHIP OF OSCODA  
IOSCO COUNTY, MICHIGAN

AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2018

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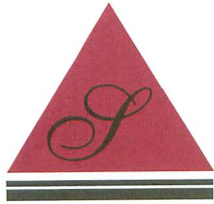
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May 16, 2019

## 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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management'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.

Members of the Township Board  
Charter Township of Oscoda  
May 16, 2019  
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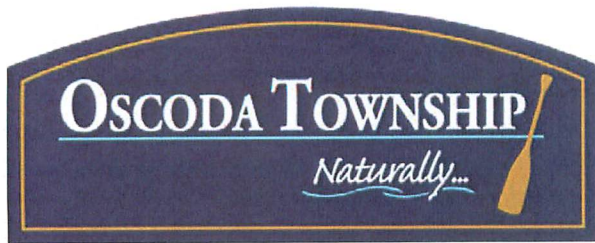
**Other Information**

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, 2018. 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 \$28,465,493.
- The Township's total net position increased by \$264,750.
- The Township's governmental funds reported a combined ending fund balance of \$5,405,772 this year, an increase of \$96,966. Of this amount, \$1,495,907 is available for spending (*unassigned fund balance*) on behalf of its citizens. The Township General Fund 2018 year end *fund balance* is \$1,740,413.

### **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 about \$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, 2018 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 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.

The Charter Township of Oscoda Downtown Development Authority's net position totaled \$642,560. The Oscoda-Wurtsmith Airport Local Development Finance Authority's net position totaled \$153,601.

### **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.

The General Fund balance decreased by \$31,129, which was approximately a \$48,000 decrease from the prior year. In the prior year, the Township received an MNRTF Grant of \$416,200 for land acquisition that cost \$554,117 and a grant of \$27,000 toward the Iron Belle Trail with similar expenditures; neither grant was present in the current year. There were also greater operating transfers in to the General Fund, particularly from the Water Fund and the Old Orchard Park Fund, in the prior year.

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

The Other Governmental Funds fund balance increased by \$106,117, which was an approximate increase from the prior year of \$441,000. In the prior year, there was \$379,990 more in capital outlay expenditures, most notably a tanker truck and a portion of a backhoe, which was split between the governmental and business-type activities.

***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.

The Sewage Disposal System Fund net position increased by \$214,928. Operating revenue increased by about \$68,000, largely due to increased sewer rates. Professional services increased about \$167,000, which can be directly attributed to work performed by engineers related to the asset management plan. This was partially offset by an increase in State Grant revenue of approximately \$152,000, which was attributable to the SAW Grant covering the asset management plan.

The Water Fund net position increased by \$368,640. Operating revenue increased by about \$51,000 due to increased usage and tap fees. The Township recorded a capital contribution of \$307,359 related to a grant from the USDA for the water main project.

The Old Orchard Park Fund net position increased by \$108,654, which was comparable to the prior year increase. There were no significant changes in activity in the current year.

The Other Enterprise Funds net position decreased by \$32,766, which was comparable to the prior year decrease. There were no significant changes in activity in the current year.

***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, 2018 and 2017:

#### Net Position Summary

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current Assets	\$ 7,811,881	\$ 3,868,911	\$ 11,680,792	\$ 10,070,777
Restricted Assets	0	180,634	180,634	408,737
Capital Assets – net	10,902,166	9,273,314	20,175,480	20,634,858
Other Noncurrent Assets	<u>3,391</u>	<u>4,149,964</u>	<u>4,153,355</u>	<u>4,171,709</u>
<b>Total Assets</b>	<u>18,717,438</u>	<u>17,472,823</u>	<u>36,190,261</u>	<u>35,286,081</u>
<b>Deferred Outflows of Resources</b>	<u>311,271</u>	<u>13,935</u>	<u>325,206</u>	<u>199,353</u>
Current Liabilities	222,318	598,640	820,958	493,260
Long-Term Liabilities	<u>1,975,391</u>	<u>3,116,297</u>	<u>5,091,688</u>	<u>5,064,788</u>
<b>Total Liabilities</b>	<u>2,197,709</u>	<u>3,714,937</u>	<u>5,912,646</u>	<u>5,558,048</u>
<b>Deferred Inflows of Resources</b>	<u>2,137,328</u>	<u>0</u>	<u>2,137,328</u>	<u>1,726,643</u>
<b>Net Position</b>				
Net Investment in				
Capital Assets	10,841,667	6,180,066	17,021,733	17,155,764
Restricted	3,693,921	180,634	3,874,555	3,991,111
Unrestricted	<u>158,084</u>	<u>7,411,121</u>	<u>7,569,205</u>	<u>7,053,868</u>
<b>Total Net Position</b>	<u>\$ 14,693,672</u>	<u>\$ 13,771,821</u>	<u>\$ 28,465,493</u>	<u>\$ 28,200,743</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, 2018</u>	<u>December 31, 2017</u>
<b>Program Revenues:</b>				
Charges for Services	\$ 667,721	\$ 2,753,967	\$ 3,421,688	\$ 3,237,815
Operating Grants and Contributions	136,406	423,557	559,963	431,072
Capital Grants and Contributions	<u>0</u>	<u>307,359</u>	<u>307,359</u>	<u>502,513</u>
<b>Total Program Revenues</b>	<u>804,127</u>	<u>3,484,883</u>	<u>4,289,010</u>	<u>4,171,400</u>

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<b>General Revenues:</b>				
Property Taxes	1,619,382	0	1,619,382	1,599,619
State Revenue Sharing	621,454	0	621,454	596,775
Rent Income	398,768	38,243	437,011	443,504
Gain (Loss) on Disposal of Capital Assets	(27,403)	0	(27,403)	81,781
Investment Earnings and Miscellaneous	<u>145,894</u>	<u>45,312</u>	<u>191,206</u>	<u>91,986</u>
<b>Total General Revenues</b>	<u>2,758,095</u>	<u>83,555</u>	<u>2,841,650</u>	<u>2,813,665</u>
<b>Total Revenues</b>	<u>3,562,222</u>	<u>3,568,438</u>	<u>7,130,660</u>	<u>6,985,065</u>
<b>Program Expenses:</b>				
General Government	1,113,399	0	1,113,399	980,978
Public Safety	1,674,287	0	1,674,287	1,211,758
Public Works	261,838	0	261,838	226,085
Community and Economic Development	640,728	0	640,728	679,976
Recreation and Cultural	489,875	0	489,875	540,209
Interest and Fees on Long-Term Debt	3,421	0	3,421	3,540
Sewage Disposal System	0	1,087,920	1,087,920	942,313
Water Services	0	894,218	894,218	871,391
Old Orchard Park	0	572,853	572,853	581,416
Community Center	<u>0</u>	<u>127,371</u>	<u>127,371</u>	<u>126,485</u>
<b>Total Program Expenses</b>	<u>4,183,548</u>	<u>2,682,362</u>	<u>6,865,910</u>	<u>6,164,151</u>
Increase (Decrease) in Net Position Before Transfers and Special Item	(621,326)	886,076	264,750	820,914
Transfers	226,620	(226,620)	0	0
Special Item – VA Clinic Reimbursement	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,839</u>
Change in Net Position	(394,706)	659,456	264,750	846,753
Beginning Net Position	<u>15,088,378</u>	<u>13,112,365</u>	<u>28,200,743</u>	<u>27,353,990</u>
Ending Net Position	<u>\$ 14,693,672</u>	<u>\$ 13,771,821</u>	<u>\$ 28,465,493</u>	<u>\$ 28,200,743</u>

### Governmental Activities

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

Total governmental activities reveal revenues of \$804,127 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 \$4,183,548 for these same activities. The largest expenses were incurred by Public Safety (\$1,674,287), General Government (\$1,113,399), and Community and Economic Development (\$640,728).

### Business-Type Activities

The Township's main *Business-Type activities* are the Sewage Disposal System, Water Services, and Old Orchard Park. The Township Park has long proven itself to be a *net* revenue generator; for 2018, the income before capital contributions and operating transfers was \$313,654 before transfers out. The positive operating result of the fund creates an opportunity to offset cash shortfalls in other budgetary funds. This opportunity is especially important during times of fiscal strain. The cash contribution is relatively consistent year-to-year but can be adjusted to meet specific annual funding needs.

Total operating revenue for the Water Fund increased on a year-to-year basis; the Township is in the process of revising both the Water and Sewer Ordinances. Total operating revenue for the Sewer Fund increased on a year-to-year basis as well. A significant impact in the Sewer Fund for 2018 was implementation of the Stormwater, Asset Management, and Wastewater (SAW) grant as discussed below.

### **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 18 funds. These funds are maintained by the Township Treasurer as separate units in the General Ledger.

#### **Governmental Funds**

In terms of fund performance, 2018 operations resulted in the General Fund balance being decreased minimally by the sum of \$31,129. This follows a minimal increase of \$16,500 in 2017 and a significant increase of \$442,035 in 2016. The significant increase in 2016 was caused by nonrecurring circumstances that did not involve increased operational revenues. As noted in past analyses, the General Fund remains dependent on significant transfers in to supplement operating revenues. In 2018, the difference between General Fund revenues of under just \$2.7 million and expenditures of nearly \$3.0 million highlights the "gap" which must be addressed in the fiscal planning and budgeting process. That factor notwithstanding, the Township remains in a strong position from a General Fund cash balance standpoint. The key, as always, is developing and implementing strategies to sustain a favorable fiscal position over the long term.

The residents of Oscoda Township passed a ballot issue in August of 2018 to support both the Police Department and the General Fund from 2018 through 2024 inclusive. The 1.5 mill increase is projected to raise an estimated \$436,585 in the first year the millage is levied. This will allow the Township's Police Department to add a community service / code compliance and a detective sergeant position in addition to providing budget relief for the Township's the General Fund.

Activities in other funds included funding implementation of substantial road improvement projects on Colbath Road and Alexander Road through the Road Improvement Fund. The 2017 approach that combined chip seal and asphalt in differing locations on Alexander Road was not successful; the Alexander Road improvements were addressed in 2018. The Township continued the new approach started in 2017 of implementing the dust control program; application of a chloride-based product as opposed to brine. The intent was to improve durability and feedback from the community indicated success in this regard.

In considering other governmental fund activities, the Fire Department Equipment Fund remains a significant source of increased property tax revenues – in this case targeted for a dedicated purpose in keeping with voted millage. As referenced above, expenditures in 2018 focused upon capital outlay including the first second of a two-year plan to replace self-contained breathing apparatus.

#### **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, 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.

## **Significant Fund Activity (Continued)**

Old Orchard Park operating results in 2018 increased net position by \$108,654 – resulting primarily from a year-to-year decrease in operating transfers out as referenced in discussion above. Operating income remained relatively stable on a historical basis and is significant, exceeding \$300,000. Old Orchard Park remains a financial strong point for the Township and creates an option to meet unrelated community fiscal needs, whether operating or capital, through generation of the aforementioned substantial operating income and potential interfund transfers.

The Community Center Fund continues to struggle from a cash flow standpoint – operating at a \$74,549 loss in 2018 which has increased as compared to \$73,278 in 2017 despite continuing efforts to develop budget balancing strategies. The Community Center Fund remains dependent upon substantial operating transfers to reconcile revenues with expenditures. It should be noted that the operating loss number includes depreciation in the amount of \$34,187 but, nonetheless, the budgetary challenges persist. A longer term concern is sustainability of the source of funding used for annual inter-fund transfers to achieve budget reconciliation.

In the Water Fund during 2018 capital improvement activity was focused on phase 1 of the of the water main extension project in relation to PFAS/groundwater contamination issues. The phase 1 project is relatively limited in scope as to number of customers and area impacted. More water main extension efforts are planned for 2019 to continue to address the much larger “area of concern” identified by regulatory agencies based on environmental contamination testing results. The efforts to continue the water main extension projects are limited to future grant funding opportunities . Efforts have been underway to quantify costs for constructing water main infrastructure to reach properties that currently do not have municipal water service in this area; such analysis indicates the cost will be significant. This scenario requires development of a plan to identify potential funding sources which will likely be multiple in number to support successful project implementation.

The Township completed the SAW Grant program in 2018 related to the Sanitary Sewer Fund. This program provided monies to undertake a comprehensive condition assessment of the sanitary sewer system and then develop an asset management plan to address identified needs. The program includes a component to evaluate rate structure in furtherance of implementing a long-term capital improvement plan. It is therefore anticipated that capital improvement funding activity will be on the increase in upcoming years.

## **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, 2018 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 \$2,662,327 . That amount is above both the original budget estimate of \$2,577,460 and the final amended budget estimate of \$2,571,375 . There were no significant variances between the original and the final budget. The variance between the actual revenue and the final amended budget was mainly the result of state shared revenue being \$43,954 higher than anticipated.

The actual expenditures of the General Fund were \$2,967,317 , which is below both the original budget estimate of \$3,136,300 and the final amended budget estimate of \$3,120,344 . There were only small variances between the original and amended budget. The variance between the actual expenditures and the final amended budget was primarily due to



## Budgetary Highlights (Continued)

anticipating higher expenditures in several areas than what transpired, most significantly in capital outlay and financial and tax administration expenditures.

The General Fund had total revenues of \$2,662,327 and total expenditures of \$2,967,317 with an ending fund balance of \$1,740,413.

Operating transfers in of \$293,085 include revenues from Old Orchard Park, building rent and principal and interest on land contracts from the Property Operation and Maintenance Fund, and transfers from the Water Fund. Operating transfers out of \$40,000 relate to a contribution to the Road Improvement Fund.

## 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 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 \$15,886,604 with an ending balance of \$15,669,691. Governmental Activities Total Capital Assets – Net of Depreciation was \$10,902,166.

During the year ended December 31, 2018, the Township's governmental capital asset additions consisted of:

Property at 220 E. Michigan Ave.	\$ 63,842
2018 Ford F-150	22,815
Other Additions	<u>43,262</u>
<b>Total Additions</b>	<b><u>\$ 129,919</u></b>

The Township's governmental capital asset disposals consisted a John Deere backhoe, a dive van, and two buildings, which included the accompanying land. Total proceeds from the sale of capital assets was \$68,806, which was less than the remaining unrecovered book costs of \$96,209.

Capital Assets - Business Type Activities beginning balance was \$16,933,285 with an ending balance of \$17,268,386. Business-Type Activities Total Capital Assets – Net of Depreciation was \$9,273,314. The only current year addition was construction in progress on the Water Main Extension project of \$335,101. There were no current year disposals. An expanded and detailed presentation may be seen in Note 4 of the notes to financial statements.

### Long-Term Debt

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

At year's end, long-term debt (due in more than one year) amounted to \$4,783,113. Such debt includes *Bonds Payable*, *Installment Purchases Payable*, as well as *Compensated Absences* and *Net Pension Liability*. Compensated absences are accumulated vested vacation benefits payable and contingent liability for the accumulated sick leave benefits of its employees. Net pension liability for the Township at year-end amounted to \$1,808,405. 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 10 of the audit notes to financial statements.

### **Economic Factors**

The economic climate continues to be “favorable” and 2019 taxable value for the Township is projected to increase just over \$6.3 million in support of funding the Fiscal Year 2020 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 (\$29,992 General Fund, \$5,754 Fire Department Equipment Fund, and \$9,590 for the newly created Police Department Funds). To put the larger fiscal challenge in perspective, 2019 taxable value is nearly \$2 million lower than what the taxable value was in 2008. As might be expected, Township costs for equipment, goods, services and labor have not remained stagnant since 2008. 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, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Oscoda- Wurtsmith Airport Local Development Finance Authority
<u>Assets</u>					
Cash and Cash Equivalents (Note 2)	\$ 2,104,500	\$ 1,111,263	\$ 3,215,763	\$ 50,300	\$ 153,601
Investments (Note 2)	3,316,349	2,238,532	5,554,881	0	0
Receivables:					
Property Taxes	2,136,437	0	2,136,437	93,202	105,445
Delinquent Taxes	7,066	0	7,066	0	0
Special Assessments	29,870	0	29,870	0	0
Accounts, Net	41,967	190,909	232,876	462	0
Due from Local Units	54,192	3,720	57,912	0	0
Due from Component Unit (Note 3)	7,016	0	7,016	0	0
Due from State	114,484	37,964	152,448	0	0
Due from Federal Government	0	280,392	280,392	0	0
Inventory	0	6,131	6,131	0	0
Restricted Assets:					
Cash and Cash Equivalents (Note 2)	0	129,813	129,813	0	0
Investments (Note 2)	0	50,821	50,821	0	0
Noncurrent Assets:					
Special Assessment Receivable	3,391	0	3,391	0	0
Investment in Huron Shore Regional Utility Authority (Note 1)	0	4,149,964	4,149,964	0	0
Capital Assets Not Being Depreciated (Note 4)	5,615,833	398,485	6,014,318	52,261	0
Capital Assets, Net of Accumulated Depreciation (Note 4)	5,286,333	8,874,829	14,161,162	635,966	0
Total Assets	18,717,438	17,472,823	36,190,261	832,191	259,046
<u>Deferred Outflows of Resources</u>					
Deferred Charge on Refunding	0	13,935	13,935	0	0
Deferred Amounts Related to Pensions (Note 10)	311,271	0	311,271	0	0
Total Deferred Outflows of Resources	311,271	13,935	325,206	0	0
<u>Liabilities</u>					
Accounts Payable	85,483	328,801	414,284	90	0
Due to Local Units	6,681	0	6,681	0	0
Due to State	13,501	20,166	33,667	0	0
Accrued Interest Payable	994	17,016	18,010	623	0
Deposits Payable	4,143	5,286	9,429	700	0
Accrued Liabilities	101,652	10,469	112,121	0	0
Due to Primary Government (Note 3)	0	0	0	7,016	0
Unearned Revenue (Note 5)	9,864	216,902	226,766	0	0
Long Term Liabilities: (Note 6)					
Due Within One Year	29,575	279,000	308,575	12,000	0
Due In More Than One Year	137,411	2,837,297	2,974,708	76,000	0
Net Pension Liability	1,808,405	0	1,808,405	0	0
Total Liabilities	2,197,709	3,714,937	5,912,646	96,429	0
<u>Deferred Inflows of Resources</u>					
Property Taxes Levied for 2019	2,137,328	0	2,137,328	93,202	105,445

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, 2018

	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	\$ 10,841,667	\$ 6,180,066	\$ 17,021,733	\$ 600,227	\$ 0
Restricted For:					
Library Activities	120,295	0	120,295	0	0
Road Improvement	52,279	0	52,279	0	0
Property Operation and Maintenance	2,840,292	0	2,840,292	0	0
Capital Projects	302,394	0	302,394	0	0
Debt Service	0	92,669	92,669	0	0
Capital Improvements	0	87,965	87,965	0	0
Economic Development	7,783	0	7,783	42,333	153,601
Forest Roads	33,676	0	33,676	0	0
Cemetery	84,895	0	84,895	0	0
Fire Equipment	252,307	0	252,307	0	0
Unrestricted	<u>158,084</u>	<u>7,411,121</u>	<u>7,569,205</u>	<u>0</u>	<u>0</u>
Total Net Position	<u>\$ 14,693,672</u>	<u>\$ 13,771,821</u>	<u>\$ 28,465,493</u>	<u>\$ 642,560</u>	<u>\$ 153,601</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, 2018

					Net (Expense) Revenue and Changes in Net Position				
Program Revenues					Primary Government			Component Units	
Function/Program	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Oscoda- Wurtsmith Airport Local Development Finance Authority
Primary Government									
Governmental Activities:									
General Government	\$ 1,113,399	\$ 233,600	\$ 0	\$ 0	\$ (879,799)	\$ 0	\$ (879,799)		
Public Safety	1,674,287	351,394	5,957	0	(1,316,936)	0	(1,316,936)		
Public Works	261,838	40,291	26,771	0	(194,776)	0	(194,776)		
Community and Economic Development	640,728	22,695	1,750	0	(616,283)	0	(616,283)		
Recreation and Cultural	489,875	19,741	101,928	0	(368,206)	0	(368,206)		
Interest and Fees on Long- Term Debt	<u>3,421</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,421)</u>	<u>0</u>	<u>(3,421)</u>		
Total Governmental Activities	<u>4,183,548</u>	<u>667,721</u>	<u>136,406</u>	<u>0</u>	<u>(3,379,421)</u>	<u>0</u>	<u>(3,379,421)</u>		
Business-Type Activities:									
Sewer Services	1,087,920	869,465	423,557	0	0	205,102	205,102		
Water Services	894,218	990,834	0	307,359	0	403,975	403,975		
Old Orchard Park	572,853	841,776	0	0	0	268,923	268,923		
Community Center	<u>127,371</u>	<u>51,892</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(75,479)</u>	<u>(75,479)</u>		
Total Business-Type Activities	<u>2,682,362</u>	<u>2,753,967</u>	<u>423,557</u>	<u>307,359</u>	<u>0</u>	<u>802,521</u>	<u>802,521</u>		
Total Primary Government	<u>\$ 6,865,910</u>	<u>\$ 3,421,688</u>	<u>\$ 559,963</u>	<u>\$ 307,359</u>	<u>(3,379,421)</u>	<u>802,521</u>	<u>(2,576,900)</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, 2018

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Oscoda- Wurtsmith Airport Local Development Finance Authority
<u>Component Units</u>									
Downtown Development Authority	\$ 75,915	\$ 0	\$ 0	\$ 56,289				\$ (19,626)	\$ 0
Oscoda-Wurtsmith Airport Local Development Finance Authority	<u>140,163</u>	<u>0</u>	<u>0</u>	<u>0</u>				<u>0</u>	<u>(140,163)</u>
Total Component Units	<u>\$ 216,078</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 56,289</u>				<u>(19,626)</u>	<u>(140,163)</u>
General Revenue:									
Property Taxes Levied For:									
General Operating					\$ 1,338,716	\$ 0	\$ 1,338,716	54,181	\$ 97,979
Fire Equipment					253,051	0	253,051	0	0
Senior Center					27,615	0	27,615	0	0
State Revenue Sharing					621,454	0	621,454	6,918	0
Interest and Investment Earnings					75,555	34,992	110,547	326	650
Rent Income					398,768	38,243	437,011	1,800	0
Gain (Loss) on Disposal of Capital Assets					(27,403)	0	(27,403)	0	0
Other					70,339	10,320	80,659	623	0
Transfers					<u>226,620</u>	<u>(226,620)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total General Revenue and Transfers					<u>2,984,715</u>	<u>(143,065)</u>	<u>2,841,650</u>	<u>63,848</u>	<u>98,629</u>
Change in Net Position					(394,706)	659,456	264,750	44,222	(41,534)
Net Position - Beginning					<u>15,088,378</u>	<u>13,112,365</u>	<u>28,200,743</u>	<u>598,338</u>	<u>195,135</u>
Net Position - Ending					<u>\$ 14,693,672</u>	<u>\$ 13,771,821</u>	<u>\$ 28,465,493</u>	<u>\$ 642,560</u>	<u>\$ 153,601</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, 2018

	General Fund	Special Revenue Funds Property Operation and Maintenance Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and Cash Equivalents (Note 2)	\$ 777,512	\$ 952,042	\$ 374,946	\$ 2,104,500
Investments (Note 2)	950,319	1,919,704	446,326	3,316,349
Receivables:				
Property Taxes	1,451,377	0	685,060	2,136,437
Delinquent Taxes	7,066	0	0	7,066
Special Assessments	19,403	0	13,858	33,261
Accounts, Net	36,385	2,778	2,804	41,967
Due from Local Units	19,598	0	34,594	54,192
Due from Component Unit (Note 3)	7,016	0	0	7,016
Due from State	113,058	0	1,426	114,484
Total Assets	<u>\$ 3,381,734</u>	<u>\$ 2,874,524</u>	<u>\$ 1,559,014</u>	<u>\$ 7,815,272</u>
<u>Liabilities</u>				
Accounts Payable	\$ 54,892	\$ 14,783	\$ 15,808	\$ 85,483
Due to State	6,354	7,147	0	13,501
Due to Other Units of Government	6,681	0	0	6,681
Deposits Payable	4,143	0	0	4,143
Accrued Liabilities	95,588	2,438	3,626	101,652
Unearned Revenue (Note 5)	0	9,864	0	9,864
Total Liabilities	<u>167,658</u>	<u>34,232</u>	<u>19,434</u>	<u>221,324</u>
<u>Deferred Inflows of Resources</u>				
Property Taxes Levied for 2019	1,451,377	0	685,951	2,137,328
Unavailable Revenue - Property Taxes	7,066	0	0	7,066
Unavailable Revenue - Special Assessments	0	0	3,391	3,391
Unavailable Revenue - Timber Payment	0	0	12,400	12,400
Unavailable Revenue - Dust Control	0	0	12,771	12,771
Unavailable Revenue - Reimbursements	15,220	0	0	15,220
Total Deferred Inflows of Resources	<u>1,473,663</u>	<u>0</u>	<u>714,513</u>	<u>2,188,176</u>
<u>Fund Equity</u>				
Fund Balances:				
Restricted For:				
Capital Projects	0	0	302,394	302,394
Property Operations and Maintenance	0	2,840,292	0	2,840,292
Library Activities	0	0	120,295	120,295
Cemetery	0	0	84,895	84,895
Road Improvement	0	0	48,888	48,888
Economic Development	0	0	7,783	7,783
Forest Roads	0	0	8,505	8,505
Fire Equipment	0	0	252,307	252,307
Assigned To:				
2019 Budgeted Expenditures	244,506	0	0	244,506
Unassigned	1,495,907	0	0	1,495,907
Total Fund Equity	<u>1,740,413</u>	<u>2,840,292</u>	<u>825,067</u>	<u>5,405,772</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	<u>\$ 3,381,734</u>	<u>\$ 2,874,524</u>	<u>\$ 1,559,014</u>	<u>\$ 7,815,272</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, 2018

Total Governmental Fund Balances	\$	5,405,772
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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	\$ 15,669,691	
Accumulated Depreciation	<u>(4,767,525)</u>	
		10,902,166

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

Personal Property Taxes	7,066	
Special Assessments Receivable	3,391	
Other Accounts Receivable	15,220	
Due From Local Units	<u>25,171</u>	
		50,848

Accrued Interest on Long-Term Liabilities		(994)
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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	195,650	
Changes in Assumptions	51,578	
Differences between Expected and Actual Experience	<u>64,043</u>	
		311,271

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	(1,808,405)	
Installment Purchases Payable	(60,499)	
Compensated Absences Payable	<u>(106,487)</u>	
Total Long-Term Liabilities		<u>(1,975,391)</u>

Total Net Position - Governmental Activities	\$	<u><u>14,693,672</u></u>
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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, 2018

		Special Revenue Funds		
		Property Operation and Maintenance Fund	Other Governmental Funds	Total Governmental Funds
	General Fund			
<u>Revenue</u>				
Property Taxes	\$ 1,452,572	\$ 0	\$ 253,051	\$ 1,705,623
Property Taxes - Senior Center	27,615	0	0	27,615
Federal Grants and Revenue	17,600	0	12,481	30,081
State Grants and Revenue	647,247	0	0	647,247
Contributions from Local Units	0	0	101,303	101,303
Charges for Services	418,616	0	75,416	494,032
Fines and Forfeits	6,167	0	0	6,167
Interest and Rentals	31,902	443,834	9,132	484,868
Special Assessments	38,130	0	19,889	58,019
Other Revenue	22,478	1	29,050	51,529
Total Revenue	<u>2,662,327</u>	<u>443,835</u>	<u>500,322</u>	<u>3,606,484</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative	19,454	0	0	19,454
Chief Executive	184,157	0	0	184,157
Financial and Tax Administration	455,156	0	0	455,156
Other General Government	414,087	0	750	414,837
Public Safety	1,232,505	0	5,854	1,238,359
Public Works	102,325	0	119,084	221,409
Community and Economic Development	131,029	323,681	0	454,710
Recreation and Cultural	316,586	0	105,007	421,593
Capital Outlay	112,018	59,741	161,342	333,101
Debt Service:				
Principal	0	0	57,770	57,770
Interest and Fiscal Charges	0	0	4,398	4,398
Total Expenditures	<u>2,967,317</u>	<u>383,422</u>	<u>454,205</u>	<u>3,804,944</u>
Excess of Revenue Over (Under) Expenditures	<u>(304,990)</u>	<u>60,413</u>	<u>46,117</u>	<u>(198,460)</u>
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	20,776	48,030	0	68,806
Operating Transfers In	293,085	0	60,000	353,085
Operating Transfers Out	(40,000)	(86,465)	0	(126,465)
Total Other Financing Sources (Uses)	<u>273,861</u>	<u>(38,435)</u>	<u>60,000</u>	<u>295,426</u>
Net Change in Fund Balances	(31,129)	21,978	106,117	96,966
Fund Balances - Beginning of Year	<u>1,771,542</u>	<u>2,818,314</u>	<u>718,950</u>	<u>5,308,806</u>
Fund Balances - End of Year	<u>\$ 1,740,413</u>	<u>\$ 2,840,292</u>	<u>\$ 825,067</u>	<u>\$ 5,405,772</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, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	96,966
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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	\$ 2,069		
Reimbursements	27,991		
Rent Receivable	(10,545)		
Federal Grants Receivable	(16,484)		
Special Assessments	<u>(19,890)</u>		
Net difference			(16,859)

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	129,919		
Current Year Depreciation Expense	(394,200)		
Gain (Loss) on Disposal of Capital Assets	<u>(96,209)</u>		
Net difference			(360,490)

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		57,770
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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		(165,635)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Net Change in Accrued Interest	977		
Net Change in Accrued Compensated Absences	<u>(7,435)</u>		
			<u>(6,458)</u>

Change in Net Position of Governmental Activities	\$	<u>(394,706)</u>
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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, 2018

	Enterprise Funds				
	Major Funds				
	Sewage Disposal System Fund	Water Fund	Old Orchard Park Fund	Other Enterprise Funds	Total
<u>Assets</u>					
Current Assets:					
Cash and Cash Equivalents (Note 2)	\$ 219,304	\$ 695,997	\$ 136,532	\$ 59,430	\$ 1,111,263
Investments (Note 2)	797,929	1,002,854	409,228	28,521	2,238,532
Receivables:					
Accounts, Net	97,393	93,512	4	0	190,909
Due from Local Units	1,998	1,722	0	0	3,720
Due from State	37,964	0	0	0	37,964
Due from Federal Government	2,420	277,972	0	0	280,392
Inventory	0	0	6,131	0	6,131
Restricted Assets:					
Cash and Cash Equivalents (Note 2)	129,813	0	0	0	129,813
Investments (Note 2)	50,821	0	0	0	50,821
Total Current Assets	<u>1,337,642</u>	<u>2,072,057</u>	<u>551,895</u>	<u>87,951</u>	<u>4,049,545</u>
Noncurrent Assets:					
Investment in Huron Shore Regional Utility Authority (Note 1)	0	4,149,964	0	0	4,149,964
Capital Assets Not Being Depreciated (Note 4)	3,950	394,535	0	0	398,485
Capital Assets, Net of Accumulated Depreciation (Note 4)	<u>4,432,071</u>	<u>3,705,625</u>	<u>161,008</u>	<u>576,125</u>	<u>8,874,829</u>
Total Noncurrent Assets	<u>4,436,021</u>	<u>8,250,124</u>	<u>161,008</u>	<u>576,125</u>	<u>13,423,278</u>
Total Assets	<u>5,773,663</u>	<u>10,322,181</u>	<u>712,903</u>	<u>664,076</u>	<u>17,472,823</u>
<u>Deferred Outflows of Resources</u>					
Deferred Charge on Refunding	<u>13,935</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,935</u>
<u>Liabilities</u>					
Current Liabilities:					
Accounts Payable	20,060	300,446	3,380	4,915	328,801
Due to State	0	0	20,166	0	20,166
Accrued Interest Payable	17,016	0	0	0	17,016
Deposits Payable	0	0	3,280	2,006	5,286
Accrued Liabilities	2,886	415	3,229	3,939	10,469
Unearned Revenue (Note 5)	0	162,500	53,517	885	216,902
Current Portion of Long-Term Liabilities (Note 6)	<u>279,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>279,000</u>
Total Current Liabilities	<u>318,962</u>	<u>463,361</u>	<u>83,572</u>	<u>11,745</u>	<u>877,640</u>
Long-Term Liabilities:					
Due in More Than One Year (Note 6)	<u>2,828,183</u>	<u>0</u>	<u>9,114</u>	<u>0</u>	<u>2,837,297</u>
Total Liabilities	<u>3,147,145</u>	<u>463,361</u>	<u>92,686</u>	<u>11,745</u>	<u>3,714,937</u>
<u>Net Position</u>					
Net Investment In Capital Assets	1,342,773	4,100,160	161,008	576,125	6,180,066
Restricted For:					
Debt Service	92,669	0	0	0	92,669
Capital Improvements	87,965	0	0	0	87,965
Unrestricted	<u>1,117,046</u>	<u>5,758,660</u>	<u>459,209</u>	<u>76,206</u>	<u>7,411,121</u>
Total Net Position	<u>\$ 2,640,453</u>	<u>\$ 9,858,820</u>	<u>\$ 620,217</u>	<u>\$ 652,331</u>	<u>\$ 13,771,821</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, 2018

	Enterprise Funds				
	Major Funds			Other Enterprise Funds	Total
	Sewage Disposal System Fund	Water Fund	Old Orchard Park Fund		
<u>Operating Revenue</u>					
Charges For Services	\$ 827,596	\$ 931,160	\$ 0	\$ 1,403	\$ 1,760,159
User Fees	0	0	701,158	50,489	751,647
Store Sales	0	0	144,957	0	144,957
Tap Fees	24,000	38,082	0	0	62,082
Penalties	17,869	21,592	0	0	39,461
Rentals	0	0	33,491	413	33,904
Other Revenue	0	7,842	511	517	8,870
Total Operating Revenue	<u>869,465</u>	<u>998,676</u>	<u>880,117</u>	<u>52,822</u>	<u>2,801,080</u>
<u>Operating Expenses</u>					
Salaries and Wages	6,198	12,443	238,922	42,663	300,226
Payroll Taxes and Employee Benefits	503	987	68,008	3,769	73,267
Depreciation and Amortization	198,236	179,158	24,831	34,187	436,412
Equipment	0	42,529	0	0	42,529
Gasoline and Oil	0	0	10,664	0	10,664
Insurance and Bonds	5,546	3,934	6,963	0	16,443
Licenses and Permits	0	0	7,672	0	7,672
Office and Operating Supplies	7,796	8,762	88,001	3,148	107,707
Printing and Advertising	468	923	2,302	279	3,972
Professional Fees and Services	703,808	293,200	2,357	2,539	1,001,904
Repair and Maintenance	6,912	21,200	26,547	1,814	56,473
Telephone	711	351	3,689	2,079	6,830
Utilities	72,229	316,646	81,199	36,156	506,230
Other	160	14,085	11,698	737	26,680
Total Operating Expenses	<u>1,002,567</u>	<u>894,218</u>	<u>572,853</u>	<u>127,371</u>	<u>2,597,009</u>
Operating Income (Loss)	<u>(133,102)</u>	<u>104,458</u>	<u>307,264</u>	<u>(74,549)</u>	<u>204,071</u>
<u>Nonoperating Revenue (Expenses)</u>					
State Grants and Revenue	423,557	0	0	0	423,557
Interest and Investment Earnings	9,826	18,443	6,390	333	34,992
Contributions	0	0	0	1,450	1,450
Interest and Fees Expense	(85,353)	0	0	0	(85,353)
Total Nonoperating Revenue (Expenses)	<u>348,030</u>	<u>18,443</u>	<u>6,390</u>	<u>1,783</u>	<u>374,646</u>
Income (Loss) Before Capital Contributions and Operating Transfers	214,928	122,901	313,654	(72,766)	578,717
Capital Contribution	0	307,359	0	0	307,359
Operating Transfers In	0	0	0	40,000	40,000
Operating Transfers Out	0	(61,620)	(205,000)	0	(266,620)
Change in Net Position	214,928	368,640	108,654	(32,766)	659,456
Net Position - Beginning of Year	<u>2,425,525</u>	<u>9,490,180</u>	<u>511,563</u>	<u>685,097</u>	<u>13,112,365</u>
Net Position - End of Year	<u>\$ 2,640,453</u>	<u>\$ 9,858,820</u>	<u>\$ 620,217</u>	<u>\$ 652,331</u>	<u>\$ 13,771,821</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, 2018

	Enterprise Funds				
	Major Funds				
	Sewage Disposal System Fund	Water Fund	Old Orchard Park Fund	Other Enterprise Funds	Total
<u>Cash Flows From Operating Activities</u>					
Receipts From Customers	\$ 858,670	\$ 992,922	\$ 884,489	\$ 52,872	\$ 2,788,953
Payments to Suppliers for Goods and Services	(833,797)	(778,568)	(241,202)	(47,813)	(1,901,380)
Payments to Employees for Services	(7,026)	(13,713)	(306,238)	(46,204)	(373,181)
Net Cash Provided (Used) by Operating Activities	<u>17,847</u>	<u>200,641</u>	<u>337,049</u>	<u>(41,145)</u>	<u>514,392</u>
<u>Cash Flows From Non-Capital Financing Activities</u>					
State Grants Received	427,145	0	0	0	427,145
Cash Received from (Paid to) Other Funds	7,842	(17,738)	(201,915)	33,628	(178,183)
Local Contributions Received	0	0	0	1,450	1,450
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>434,987</u>	<u>(17,738)</u>	<u>(201,915)</u>	<u>35,078</u>	<u>250,412</u>
<u>Cash Flows From Capital and Related Financing Activities</u>					
Federal Grants Received	0	66,000	0	0	66,000
State Grants Received	0	162,500	32,100	0	194,600
Acquisition and Construction of Capital Assets	0	(46,261)	0	0	(46,261)
Principal Paid on Long-Term Debt	(270,000)	0	0	0	(270,000)
Interest and Fees Paid on Long-Term Debt	(86,645)	0	0	0	(86,645)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(356,645)</u>	<u>182,239</u>	<u>32,100</u>	<u>0</u>	<u>(142,306)</u>
<u>Cash Flows From Investing Activities</u>					
Interest on Investments	9,826	18,443	6,390	333	34,992
Purchase of Investment Securities	(490,436)	(383,729)	(331,456)	(23,069)	(1,228,690)
Net Cash Provided (Used) by Investing Activities	<u>(480,610)</u>	<u>(365,286)</u>	<u>(325,066)</u>	<u>(22,736)</u>	<u>(1,193,698)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(384,421)	(144)	(157,832)	(28,803)	(571,200)
Cash and Cash Equivalents at Beginning of Year (Note 1)	<u>733,538</u>	<u>696,141</u>	<u>294,364</u>	<u>88,233</u>	<u>1,812,276</u>
Cash and Cash Equivalents at End of Year (Note 1)	<u>\$ 349,117</u>	<u>\$ 695,997</u>	<u>\$ 136,532</u>	<u>\$ 59,430</u>	<u>\$ 1,241,076</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>					
Operating Income (Loss)	\$ (133,102)	\$ 104,458	\$ 307,264	\$ (74,549)	\$ 204,071
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization Expense	198,236	179,158	24,831	34,187	436,412
Change in Assets and Liabilities:					
Accounts Receivable, Net	(8,700)	(5,357)	(4)	0	(14,061)
Inventory	0	0	(538)	0	(538)
Due from Local Units	325	(397)	0	0	(72)
Due from Federal Government	(2,420)	0	0	0	(2,420)
Prepaid Items	0	0	1,533	0	1,533
Accounts Payable and Accrued Liabilities	(36,492)	(77,221)	(984)	(833)	(115,530)
Due to State	0	0	24	0	24
Unearned Revenue	0	0	4,376	50	4,426
Accrued Compensated Absences	0	0	547	0	547
Net Cash Provided (Used) by Operating Activities	<u>\$ 17,847</u>	<u>\$ 200,641</u>	<u>\$ 337,049</u>	<u>\$ (41,145)</u>	<u>\$ 514,392</u>

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

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
December 31, 2018

	Trust and Agency Fund	Tax Account	Total
<u>Assets</u>			
Cash and Cash Equivalents (Note 2)	\$ <u>46,978</u>	\$ <u>1,355,802</u>	\$ <u>1,402,780</u>
<u>Liabilities</u>			
Accounts Payable	\$ 0	\$ 59	\$ 59
Due to Local Units	3,618	1,355,743	1,359,361
Due to Others	<u>43,360</u>	<u>0</u>	<u>43,360</u>
Total Liabilities	\$ <u>46,978</u>	\$ <u>1,355,802</u>	\$ <u>1,402,780</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, 2018

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.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018

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, 2018 was \$27,615. 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, 2018

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, 2018 was \$313,672. 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, 2018

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.

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, 2018

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.

**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 payroll tax withholdings and the eventual payment of the liability, and property tax collections.

F. Measurement Focus

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Measurement Focus (Continued)

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.

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.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Basis of Accounting (Continued)

**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 \$33,261 balance for special assessments receivable, \$3,391 will not be collected in the next fiscal year and is considered to be long-term.

The allowance for doubtful accounts at December 31, 2018 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.

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.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Inventory

Inventory is recorded in the Old Orchard Park 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
Water and Sewer Lines	5 - 50 years
Machinery & Equipment	5 - 20 years
Vehicles	5 - 15 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, 2018

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, 2018

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, 2018

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. Neither type of transaction occurred during the year ended December 31, 2018.

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.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018

NOTE 2 - 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	\$ 2,104,500	\$ 1,111,263	\$ 1,402,780	\$ 4,618,543	\$ 203,901
Investments	3,316,349	2,238,532	0	5,554,881	0
Restricted Cash and Cash Equivalents	0	129,813	0	129,813	0
Restricted Investments	<u>0</u>	<u>50,821</u>	<u>0</u>	<u>50,821</u>	<u>0</u>
Total	<u>\$ 5,420,849</u>	<u>\$ 3,530,429</u>	<u>\$ 1,402,780</u>	<u>\$ 10,354,058</u>	<u>\$ 203,901</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Component Units
Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	\$ 8,287,671	\$ 203,901
Investments in Financial Institution Pooled Funds	2,062,603	0
Petty Cash and Cash on Hand	<u>3,784</u>	<u>0</u>
Total	<u>\$ 10,354,058</u>	<u>\$ 203,901</u>

As of December 31, 2018, the Township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Specific Identification Maturities</u>
Primary Government: Investment Pools	<u>\$ 2,062,603</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, 2018

NOTE 2 - 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, 2018, \$7,095,104 of the Township's bank balance of \$8,345,104 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, 2018, \$0 of the Downtown Development Authority's bank balance of \$51,039 and \$0 of the Local Development Finance Authority's bank balance of \$153,601 were exposed to custodial credit risk.

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, 2018

NOTE 2 - 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 3 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of December 31, 2018 were as follows:

<u>Due to Primary Government</u>		<u>Due from Component Unit</u>	
Downtown Development Authority	\$ <u>7,016</u>	General Fund	\$ <u>7,016</u>

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 4 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended December 31, 2018, was as follows:

	<u>Balance</u> <u>01/01/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/18</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ <u>5,563,382</u>	\$ <u>63,842</u>	\$ <u>(11,391)</u>	\$ <u>5,615,833</u>
Capital Assets Being Depreciated:				
Land Improvements	1,898,661	0	0	1,898,661
Buildings and Improvements	5,645,939	0	(200,796)	5,445,143
Machinery and Equipment	844,896	43,262	(126,645)	761,513
Vehicles	<u>1,933,726</u>	<u>22,815</u>	<u>(8,000)</u>	<u>1,948,541</u>
Subtotal	<u>10,323,222</u>	<u>66,077</u>	<u>(335,441)</u>	<u>10,053,858</u>
Less Accumulated Depreciation for:				
Land Improvements	\$ (727,240)	\$ (54,492)	\$ 0	\$ (781,732)
Buildings and Improvements	(2,022,913)	(151,829)	115,978	(2,058,764)
Machinery and Equipment	(682,954)	(33,981)	126,645	(590,290)
Vehicles	<u>(1,190,841)</u>	<u>(153,898)</u>	<u>8,000</u>	<u>(1,336,739)</u>
Subtotal	<u>(4,623,948)</u>	<u>(394,200)</u>	<u>250,623</u>	<u>(4,767,525)</u>
Capital Assets Being Depreciated	<u>5,699,274</u>	<u>(328,123)</u>	<u>(84,818)</u>	<u>5,286,333</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	\$ <u>11,262,656</u>	\$ <u>(264,281)</u>	\$ <u>(96,209)</u>	\$ <u>10,902,166</u>

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance 01/01/18	Additions	Deletions	Balance 12/31/18
<u>Business-Type Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 22,885	\$ 0	\$ 0	\$ 22,885
Construction in Progress	40,499	335,101	0	375,600
Subtotal	<u>63,384</u>	<u>335,101</u>	<u>0</u>	<u>398,485</u>
Capital Assets Being Depreciated:				
Land Improvements	265,485	0	0	265,485
Buildings and Improvements	1,248,040	0	0	1,248,040
Machinery and Equipment	853,289	0	0	853,289
Infrastructure	14,503,087	0	0	14,503,087
Subtotal	<u>16,869,901</u>	<u>0</u>	<u>0</u>	<u>16,869,901</u>
Less Accumulated Depreciation for:				
Land Improvements	(99,809)	(13,275)	0	(113,084)
Buildings and Improvements	(543,398)	(47,840)	0	(591,238)
Machinery and Equipment	(495,261)	(64,588)	0	(559,849)
Infrastructure	(6,422,615)	(308,286)	0	(6,730,901)
Subtotal	<u>(7,561,083)</u>	<u>(433,989)</u>	<u>0</u>	<u>(7,995,072)</u>
Capital Assets Being Depreciated	<u>9,308,818</u>	<u>(433,989)</u>	<u>0</u>	<u>8,874,829</u>
Business-Type Activities Total				
Capital Assets - Net of Depreciation	\$ <u>9,372,202</u>	\$ <u>(98,888)</u>	\$ <u>0</u>	\$ <u>9,273,314</u>

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

<u>Governmental Activities</u>	
General Government	\$ 23,676
Public Safety	134,811
Public Works	40,429
Community and Economic Development	132,431
Recreation and Cultural	<u>62,853</u>
Total Governmental Activities	\$ <u>394,200</u>
<u>Business-Type Activities</u>	
Sewer	\$ 195,813
Water	179,158
Old Orchard Park	24,831
Community Center	<u>34,187</u>
Total Business-Type Activities	\$ <u>433,989</u>

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018

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

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

Community and Economic Development	\$ 28,926
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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:

Property Operation and Maintenance Fund - Rent	\$	9,864
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Old Orchard Park Fund - User Fees	53,517
Water Fund - Grant	162,500

Total \$ 226,766

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018

NOTE 6 - LONG-TERM LIABILITIES

Primary Government:

A. Bonds Payable

	<u>Governmental</u>	<u>Business-Type</u>
General Obligation Bonds Payable:		
\$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.	\$ 0	\$ 1,067,000
\$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.	0	1,655,183
\$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.	<u>0</u>	<u>385,000</u>
Total Bonds Payable	<u>0</u>	<u>3,107,183</u>

B. Installment Purchases Payable

	<u>Governmental</u>	<u>Business-Type</u>
On April 24, 2013, the Township entered into an installment purchase agreement with Pierce Manufacturing, Inc. in the amount of \$292,954 for the purchase of a new fire truck, which was subsequently assigned to Chemical Bank immediately following the purchase. The truck has been recorded as a capital asset at its purchase price. This note is repayable in 10 annual installments ranging from \$26,281 to \$32,506 including interest at the rate of 2.39% on the unpaid balance.	\$ <u>60,499</u>	\$ <u>0</u>
Total Primary Government	<u>\$ 60,499</u>	<u>\$ 3,107,183</u>

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Component Units:

C. Installment Purchases Payable

Governmental    Business-Type

On October 2, 2017, the Downtown Development Authority entered into an installment purchase agreement with Butterson Construction, LLC in the amount of \$100,000 for the purchase of the artisan market building improvements, which was subsequently assigned to Huron Community Bank immediately following the purchase. The artisan market building improvements project has been recorded as a capital asset at its purchase price. This note is repayable in 16 semi-annual installments ranging from \$6,000 to \$7,000 including interest at the rate of 4.25% on the unpaid balance.

\$ 88,000    \$ 0

D. Compensated Absences Payable

The Township has an accrued liability for accumulated vested vacation and sick leave benefits of its employees. As of December 31, 2018, 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>12/31/18</u>	<u>12/31/18</u>	<u>12/31/18</u>
<u>Accrued Employee Benefits Payable</u>			
<u>Primary Government</u>			
Governmental Activities	\$ 0	\$ 106,487	\$ 106,487
Business-Type Activities	<u>0</u>	<u>9,114</u>	<u>9,114</u>
	<u>\$ 0</u>	<u>\$ 115,601</u>	<u>\$ 115,601</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, 2018

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

E. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the Township for the year ended December 31, 2018:

	<u>Balance 01/01/18</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance 12/31/18</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Primary Government:					
Net Pension Liability	\$ 1,461,717	\$ 346,688 *	\$ 0	\$ 1,808,405	\$ 0
Installment Purchases Payable	118,269	0	(57,770)	60,499	29,575
Compensated Absences	<u>99,052</u>	<u>7,435 *</u>	<u>0</u>	<u>106,487</u>	<u>0</u>
Total Primary Government	<u>\$ 1,679,038</u>	<u>\$ 354,123</u>	<u>\$ (57,770)</u>	<u>\$ 1,975,391</u>	<u>\$ 29,575</u>
Component Units:					
Installment Purchases Payable	<u>\$ 100,000</u>	<u>\$ 0</u>	<u>\$ (12,000)</u>	<u>\$ 88,000</u>	<u>\$ 12,000</u>
	<u>Balance 01/01/18</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance 12/31/18</u>	<u>Due Within One Year</u>
<u>Business-Type Activities</u>					
Primary Government:					
Bonds Payable	\$ 3,377,183	\$ 0	\$ (270,000)	\$ 3,107,183	\$ 279,000
Compensated Absences	<u>8,567</u>	<u>547 *</u>	<u>0</u>	<u>9,114</u>	<u>0</u>
Total Primary Government	<u>\$ 3,385,750</u>	<u>\$ 547</u>	<u>\$ (270,000)</u>	<u>\$ 3,116,297</u>	<u>\$ 279,000</u>

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

The interest expense on long-term obligations for the year was \$88,774.

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

See Note 10 for further detail of the Net Pension Liability.

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

The annual aggregate maturities for all debt outstanding (excluding compensated absences) as of December 31, 2018 are as follows:

Primary Government

<b>Bonds Payable</b>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 0	\$ 0	\$ 279,000	\$ 79,085	\$ 358,085
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 - 2028	0	0	780,000	137,735	917,735
2029 - 2033	0	0	520,000	66,904	586,904
2034 - 2036	<u>0</u>	<u>0</u>	<u>280,183</u>	<u>8,500</u>	<u>288,683</u>
Total	\$ <u>0</u>	\$ <u>0</u>	\$ <u>3,107,183</u>	\$ <u>531,143</u>	\$ <u>3,638,326</u>

<b>Installment Purchases Payable</b>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 29,575	\$ 1,446	\$ 0	\$ 0	\$ 31,021
2020	30,282	739	0	0	31,021
2021	<u>642</u>	<u>15</u>	<u>0</u>	<u>0</u>	<u>657</u>
Total	\$ <u>60,499</u>	\$ <u>2,200</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>62,699</u>

Component Units

<b>Installment Purchases Payable</b>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 12,000	\$ 3,613	\$ 0	\$ 0	\$ 15,613
2020	12,000	3,103	0	0	15,103
2021	12,000	2,593	0	0	14,593
2022	12,000	2,083	0	0	14,083
2023	12,000	1,573	0	0	13,573
2024 - 2025	<u>28,000</u>	<u>1,488</u>	<u>0</u>	<u>0</u>	<u>29,488</u>
Total	\$ <u>88,000</u>	\$ <u>14,453</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>102,453</u>

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 1 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls. For the December 1, 2017 levy, which is considered to be revenue for the 2018 fiscal year, the taxable value for properties located within the Township was \$285,842,088. The 2017 tax rates are currently 4.6908 mills for operating, .9000 for fire equipment, and .0989 for seniors.

**NOTE 8 - OPERATING TRANSFERS**

During the year ended December 31, 2018, the following transfers were made:

Transfer to	Transfer from				Total
	General Fund	Property Operation and Maintenance Fund	Water Fund	Old Orchard Park Fund	
General Fund	\$ 0	\$ 46,465	\$ 61,620	\$ 185,000	\$ 293,085
Non-major Governmental Funds	40,000	0	0	20,000	60,000
Non-major Enterprise Funds	0	40,000	0	0	40,000
	<u>\$ 40,000</u>	<u>\$ 86,465</u>	<u>\$ 61,620</u>	<u>\$ 205,000</u>	<u>\$ 393,085</u>

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

**NOTE 9 - 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, 2018, the Township incurred expenditures which were in excess of the amounts appropriated as follows:

Fund/Function	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund/Chief Executive	\$ 183,162	\$ 184,157	\$ 995
General Fund/Public Works	\$ 100,000	\$ 102,325	\$ 2,325
General Fund/Community and Economic Development	\$ 125,036	\$ 131,029	\$ 5,993
Property Operation and Maintenance Fund/Operating Transfers Out	\$ 80,000	\$ 86,465	\$ 6,465

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED

Plan Description

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

Benefits Provided

02 - Police: Open Division

	<u>2017 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>2017 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
Employee Contributions:	4.04%
Act 88:	No

Employees Covered by Benefit Terms

At the December 31, 2017 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>9</u>
	<u>28</u>

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

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 \$945 per month for the closed division and 24.39% of annual payroll for the open division.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2017, 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, 2017 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 investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

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 geometric real rates of return for each major asset class are summarized in the following table:

<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%	0.23%
Real Assets	13.5%	9.72%	1.31%	2.50%	0.97%
Diversifying Strategies	12.5%	7.50%	0.94%	2.50%	0.63%
Total	<u>100.0%</u>		<u>7.75%</u>		<u>5.25%</u>

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

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

Calculating the Net Pension Liability			
		Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/17	\$ 4,200,675	\$ 2,738,958	\$ 1,461,717
Changes for the Year			
Service Cost	73,703	0	73,703
Interest on Total Pension Liability	328,005	0	328,005
Changes in benefits	(6,110)	0	(6,110)
Difference between expected and actual experience	22,163	0	22,163
Changes in assumptions	0	0	0
Employer contributions	0	139,053	(139,053)
Employee contributions	0	37,008	(37,008)
Net investment income	0	(104,452)	104,452
Benefit payments, including employee refunds	(274,929)	(274,929)	0
Administrative expense	0	(5,233)	5,233
Other changes	(4,698)	(1)	(4,697)
Net changes	138,134	(208,554)	346,688
Balances as of 12/31/18	\$ 4,338,809	\$ 2,530,404	\$ 1,808,405

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.

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Township's net pension liability	\$ 2,325,930	\$ 1,808,405	\$ 1,376,276

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

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

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

For the year ended December 31, 2018, the employer recognized pension expense of \$304,688. The employer reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Deficit Investment Returns	\$ 195,650
Differences in Experience	64,043
Differences in Assumptions	<u>51,578</u>
Total	<u>\$ 311,271</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>
2019	\$ 160,511
2020	43,545
2021	43,334
2022	63,881

NOTE 11 - 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 \$64,047, which was 10% of its current-year covered payroll.

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

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018

NOTE 12 - 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 13 - 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 \$33,667 as of December 31, 2018.

NOTE 14 - 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, 2018.

NOTE 15 - RISK MANAGEMENT

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

The Township was a defendant in one lawsuit at year end. The lawsuit was settled subsequent to year end without significant monetary impact to the Township.

NOTE 16 - 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, 2018, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the Township expects such amounts, if any, to be immaterial.



CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2018

NOTE 17 - COMMITMENTS

The Township has a contractual commitment in the amount of \$230,000 outstanding at December 31, 2018.

As of December 31, 2018, the Township had the following commitment outstanding:

<u>Project</u>	<u>Total Contract</u>	<u>Remaining Commitment at December 31, 2018</u>	<u>Contract Payable at December 31, 2018</u>
Water Main Extension Phase Two Engineering and Construction - Rowe Professional Services Company	\$ <u>230,000</u>	\$ <u>230,000</u>	\$ <u>0</u>

REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

SCHEDULE OF CHANGES IN EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
For the Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service cost	\$ 73,703	\$ 77,609	\$ 65,962	\$ 77,520
Interest	328,005	339,416	318,286	307,839
Changes of benefit terms	(6,110)	(341,131)	0	0
Difference between expected and actual experience	22,163	60,026	69,639	0
Changes of assumptions	0	0	206,315	0
Benefit payments, including employee refunds	(274,929)	(270,686)	(266,619)	(240,015)
Other	<u>(4,698)</u>	<u>(3,799)</u>	<u>(12,678)</u>	<u>357</u>
Net Change in Total Pension Liability	138,134	(138,565)	380,905	145,701
Total Pension Liability - Beginning	<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>\$ 4,338,809</u>	<u>\$ 4,200,675</u>	<u>\$ 4,339,240</u>	<u>\$ 3,958,335</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 139,053	\$ 146,491	\$ 117,485	\$ 125,215
Employee contributions	37,008	30,844	24,770	25,904
Net investment income	(104,452)	327,316	264,570	(36,992)
Benefit payments, including employee refunds	(274,929)	(270,686)	(266,619)	(240,015)
Administrative expense	(5,233)	(5,189)	(5,226)	(5,416)
Other	<u>(1)</u>	<u>1</u>	<u>0</u>	<u>0</u>
Net Change in Plan Fiduciary Net Position	(208,554)	228,777	134,980	(131,304)
Plan Fiduciary Net Position - Beginning	<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>\$ 2,530,404</u>	<u>\$ 2,738,958</u>	<u>\$ 2,510,181</u>	<u>\$ 2,375,201</u>
Employer Net Pension Liability	<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	58%	65%	58%	60%
Covered Employee Payroll	\$ 517,398	\$ 495,390	\$ 435,057	\$ 529,984
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	350%	295%	420%	299%

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
For the Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 139,053	\$ 136,440	\$ 117,485	\$ 125,215
Contributions in relation to the actuarially determined contribution	<u>139,053</u>	<u>146,491</u>	<u>117,485</u>	<u>125,215</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ (10,051)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 517,398	\$ 495,390	\$ 435,057	\$ 529,984
Contributions as a percentage of covered employee payroll	27%	30%	27%	24%

**Notes to Schedule**

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 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, 2018

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Property Taxes	\$ 1,435,000	\$ 1,435,000	\$ 1,452,572	\$ 17,572
Property Taxes - Senior Center	26,500	26,500	27,615	1,115
Federal Grants and Revenue	0	0	17,600	17,600
State Grants and Revenue	597,500	597,500	647,247	49,747
Charges for Services	401,660	395,575	418,616	23,041
Fines and Forfeits	4,000	4,000	6,167	2,167
Interest and Rentals	18,500	18,500	31,902	13,402
Special Assessments	70,000	70,000	38,130	(31,870)
Other Revenue	24,300	24,300	22,478	(1,822)
Total Revenue	<u>2,577,460</u>	<u>2,571,375</u>	<u>2,662,327</u>	<u>90,952</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative	23,400	21,250	19,454	1,796
Chief Executive	169,570	183,162	184,157	(995)
Financial and Tax Administration	458,115	495,645	455,156	40,489
Other General Government	497,970	444,997	414,087	30,910
Public Safety	1,292,025	1,265,591	1,232,505	33,086
Public Works	100,000	100,000	102,325	(2,325)
Community and Economic Development	104,265	125,036	131,029	(5,993)
Recreation and Cultural	355,655	324,666	316,586	8,080
Capital Outlay	135,300	159,997	112,018	47,979
Total Expenditures	<u>3,136,300</u>	<u>3,120,344</u>	<u>2,967,317</u>	<u>153,027</u>
Excess of Revenue Over (Under) Expenditures	<u>(558,840)</u>	<u>(548,969)</u>	<u>(304,990)</u>	<u>243,979</u>
<u>Other Financing Sources (Uses)</u>				
Loan Proceeds	0	1,850	0	(1,850)
Sale of Capital Assets	3,000	3,000	20,776	17,776
Operating Transfers In	293,085	293,085	293,085	0
Operating Transfers Out	(40,000)	(40,000)	(40,000)	0
Total Other Financing Sources (Uses)	<u>256,085</u>	<u>257,935</u>	<u>273,861</u>	<u>15,926</u>
Net Change in Fund Balances	(302,755)	(291,034)	(31,129)	259,905
Fund Balances - Beginning of Year	<u>1,771,542</u>	<u>1,771,542</u>	<u>1,771,542</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 1,468,787</u>	<u>\$ 1,480,508</u>	<u>\$ 1,740,413</u>	<u>\$ 259,905</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, 2018

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Interest and Rentals	\$ 351,545	\$ 351,545	\$ 443,834	\$ 92,289
Other Revenue	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>
Total Revenue	<u>351,545</u>	<u>351,545</u>	<u>443,835</u>	<u>92,290</u>
<u>Expenditures</u>				
Current:				
Community and Economic Development	425,595	339,436	323,681	15,755
Capital Outlay	<u>97,000</u>	<u>65,200</u>	<u>59,741</u>	<u>5,459</u>
Total Expenditures	<u>522,595</u>	<u>404,636</u>	<u>383,422</u>	<u>21,214</u>
Excess of Revenue Over (Under) Expenditures	<u>(171,050)</u>	<u>(53,091)</u>	<u>60,413</u>	<u>113,504</u>
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	0	0	48,030	48,030
Operating Transfers Out	<u>(86,465)</u>	<u>(80,000)</u>	<u>(86,465)</u>	<u>(6,465)</u>
Total Other Financing Sources (Uses)	<u>(86,465)</u>	<u>(80,000)</u>	<u>(38,435)</u>	<u>41,565</u>
Net Change in Fund Balances	(257,515)	(133,091)	21,978	155,069
Fund Balances - Beginning of Year	<u>2,818,314</u>	<u>2,818,314</u>	<u>2,818,314</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 2,560,799</u>	<u>\$ 2,685,223</u>	<u>\$ 2,840,292</u>	<u>\$ 155,069</u>

## OTHER INFORMATION

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2018

	Special Revenue Funds									
	Road Improvement Fund	Forest Reserve Fund	Fire Equipment Fund	Police Fund	Police Staffing Fund	Old Orchard Park Improvement Fund	Public Improvement Fund	Library Fund	CDBG Renaissance Fund	Total Other Governmental Funds
<u>Assets</u>										
Cash and Cash Equivalents	\$ 28,998	\$ 3,037	\$ 166,462	\$ 0	\$ 0	\$ 47,597	\$ 79,151	\$ 45,900	\$ 3,801	\$ 374,946
Investments	0	5,468	100,000	0	0	144,588	115,953	76,335	3,982	446,326
Receivables:										
Property Taxes	0	0	256,898	228,353	199,809	0	0	0	0	685,060
Special Assessments	13,858	0	0	0	0	0	0	0	0	13,858
Accounts, Net	0	0	0	0	0	0	0	2,804	0	2,804
Due from Local Units	9,423	25,171	0	0	0	0	0	0	0	34,594
Due from State	0	0	535	475	416	0	0	0	0	1,426
Total Assets	<u>\$ 52,279</u>	<u>\$ 33,676</u>	<u>\$ 523,895</u>	<u>\$ 228,828</u>	<u>\$ 200,225</u>	<u>\$ 192,185</u>	<u>\$ 195,104</u>	<u>\$ 125,039</u>	<u>\$ 7,783</u>	<u>\$ 1,559,014</u>
<u>Liabilities</u>										
Accounts Payable	\$ 0	\$ 0	\$ 14,690	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,118	\$ 0	\$ 15,808
Accrued Liabilities	0	0	0	0	0	0	0	3,626	0	3,626
Total Liabilities	0	0	14,690	0	0	0	0	4,744	0	19,434
<u>Deferred Inflows of Resources</u>										
Property Taxes Levied for 2019	0	0	256,898	228,828	200,225	0	0	0	0	685,951
Unavailable Revenue - Special Assessments	3,391	0	0	0	0	0	0	0	0	3,391
Unavailable Revenue - Timber Payment	0	12,400	0	0	0	0	0	0	0	12,400
Unavailable Revenue - Dust Control	0	12,771	0	0	0	0	0	0	0	12,771
Total Deferred Inflows of Resources	3,391	25,171	256,898	228,828	200,225	0	0	0	0	714,513
<u>Fund Equity</u>										
Fund Balances:										
Restricted For:										
Capital Projects	0	0	0	0	0	192,185	110,209	0	0	302,394
Library Activities	0	0	0	0	0	0	0	120,295	0	120,295
Cemetery	0	0	0	0	0	0	84,895	0	0	84,895
Road Improvement	48,888	0	0	0	0	0	0	0	0	48,888
Economic Development	0	0	0	0	0	0	0	0	7,783	7,783
Forest Roads	0	8,505	0	0	0	0	0	0	0	8,505
Fire Equipment	0	0	252,307	0	0	0	0	0	0	252,307
Total Fund Equity	48,888	8,505	252,307	0	0	192,185	195,104	120,295	7,783	825,067
Total Liabilities, Deferred Inflows of Resources and Fund Equity	<u>\$ 52,279</u>	<u>\$ 33,676</u>	<u>\$ 523,895</u>	<u>\$ 228,828</u>	<u>\$ 200,225</u>	<u>\$ 192,185</u>	<u>\$ 195,104</u>	<u>\$ 125,039</u>	<u>\$ 7,783</u>	<u>\$ 1,559,014</u>



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, 2018

	Special Revenue Funds									Total Other Governmental Funds
	Road Improvement Fund	Forest Reserve Fund	Fire Equipment Fund	Police Fund	Police Staffing Fund	Old Orchard Park Improvement Fund	Public Improvement Fund	Library Fund	CDBG Renaissance Fund	
<u>Revenue</u>										
Property Taxes	\$ 0	\$ 0	\$ 253,051	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 253,051
Federal Grants and Revenue	0	12,481	0	0	0	0	0	0	0	12,481
Contributions from Local Units	0	0	0	0	0	0	0	101,303	0	101,303
Charges for Services	932	0	71,584	0	0	0	2,900	0	0	75,416
Interest and Rentals	160	98	468	0	0	3,877	3,618	862	49	9,132
Special Assessments	19,889	0	0	0	0	0	0	0	0	19,889
Other Revenue	27,885	0	0	0	0	0	0	1,165	0	29,050
Total Revenue	<u>48,866</u>	<u>12,579</u>	<u>325,103</u>	<u>0</u>	<u>0</u>	<u>3,877</u>	<u>6,518</u>	<u>103,330</u>	<u>49</u>	<u>500,322</u>
<u>Expenditures</u>										
Current:										
General Government:										
Other General Government	0	0	0	0	0	0	750	0	0	750
Public Safety	0	0	5,854	0	0	0	0	0	0	5,854
Public Works	99,825	19,259	0	0	0	0	0	0	0	119,084
Recreation and Cultural	0	0	0	0	0	0	0	105,007	0	105,007
Capital Outlay	0	0	111,922	0	0	12,670	36,000	750	0	161,342
Debt Service:										
Principal	0	0	57,770	0	0	0	0	0	0	57,770
Interest and Fiscal Charges	0	0	4,398	0	0	0	0	0	0	4,398
Total Expenditures	<u>99,825</u>	<u>19,259</u>	<u>179,944</u>	<u>0</u>	<u>0</u>	<u>12,670</u>	<u>36,750</u>	<u>105,757</u>	<u>0</u>	<u>454,205</u>
Excess of Revenue Over (Under)										
Expenditures	(50,959)	(6,680)	145,159	0	0	(8,793)	(30,232)	(2,427)	49	46,117
<u>Other Financing Sources</u>										
Operating Transfers In	40,000	0	0	0	0	20,000	0	0	0	60,000
Net Change in Fund Balances	(10,959)	(6,680)	145,159	0	0	11,207	(30,232)	(2,427)	49	106,117
Fund Balances - Beginning of Year	59,847	15,185	107,148	0	0	180,978	225,336	122,722	7,734	718,950
Fund Balances - End of Year	<u>\$ 48,888</u>	<u>\$ 8,505</u>	<u>\$ 252,307</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 192,185</u>	<u>\$ 195,104</u>	<u>\$ 120,295</u>	<u>\$ 7,783</u>	<u>\$ 825,067</u>

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

COMBINING STATEMENT OF NET POSITION  
 OTHER ENTERPRISE FUNDS  
December 31, 2018

	<u>Health and Community Center Fund</u>	<u>Van Etten Campground Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 31,287	\$ 28,143	\$ 59,430
Investments	28,521	0	28,521
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation	<u>576,125</u>	<u>0</u>	<u>576,125</u>
Total Assets	<u>635,933</u>	<u>28,143</u>	<u>664,076</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	4,915	0	4,915
Deposits Payable	2,006	0	2,006
Accrued Liabilities	3,939	0	3,939
Unearned Revenue	<u>885</u>	<u>0</u>	<u>885</u>
Total Liabilities	<u>11,745</u>	<u>0</u>	<u>11,745</u>
<u>Net Position</u>			
Net Investment In Capital Assets	576,125	0	576,125
Unrestricted	<u>48,063</u>	<u>28,143</u>	<u>76,206</u>
Total Net Position	<u>\$ 624,188</u>	<u>\$ 28,143</u>	<u>\$ 652,331</u>

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
 OTHER ENTERPRISE FUNDS  
For the Year Ended December 31, 2018

	Health and Community Center Fund	Van Etten Campground Fund	Total
<u>Operating Revenue</u>			
Charges For Services	\$ 1,403	\$ 0	\$ 1,403
User Fees	50,489	0	50,489
Rentals	413	0	413
Other Revenue	517	0	517
Total Operating Revenue	<u>52,822</u>	<u>0</u>	<u>52,822</u>
<u>Operating Expenses</u>			
Salaries and Wages	42,663	0	42,663
Payroll Taxes and Employee Benefits	3,769	0	3,769
Depreciation and Amortization	34,187	0	34,187
Office and Operating Supplies	3,148	0	3,148
Printing and Advertising	279	0	279
Professional Fees and Services	2,539	0	2,539
Repair and Maintenance	1,814	0	1,814
Telephone	2,079	0	2,079
Utilities	36,156	0	36,156
Other	737	0	737
Total Operating Expenses	<u>127,371</u>	<u>0</u>	<u>127,371</u>
Operating Income (Loss)	<u>(74,549)</u>	<u>0</u>	<u>(74,549)</u>
<u>Nonoperating Revenue</u>			
Interest and Investment Earnings	259	74	333
Contributions	1,450	0	1,450
Total Nonoperating Revenue	<u>1,709</u>	<u>74</u>	<u>1,783</u>
Income (Loss) Before Operating Transfers	(72,840)	74	(72,766)
Operating Transfers In	<u>40,000</u>	<u>0</u>	<u>40,000</u>
Change in Net Position	(32,840)	74	(32,766)
Net Position - Beginning of Year	<u>657,028</u>	<u>28,069</u>	<u>685,097</u>
Net Position - End of Year	<u>\$ 624,188</u>	<u>\$ 28,143</u>	<u>\$ 652,331</u>

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

COMBINING STATEMENT OF CASH FLOWS  
OTHER ENTERPRISE FUNDS  
For the Year Ended December 31, 2018

	Health and Community Center Fund	Van Etten Campground Fund	Total
<u>Cash Flows From Operating Activities</u>			
Receipts from Customers	\$ 52,872	\$ 0	\$ 52,872
Payments to Suppliers for Goods and Services	(47,813)	0	(47,813)
Payments to Employees for Services	(46,204)	0	(46,204)
Net Cash Provided (Used) by Operating Activities	<u>(41,145)</u>	<u>0</u>	<u>(41,145)</u>
<u>Cash Flows From Non-Capital Financing Activities</u>			
Cash Received from (Paid to) Other Funds	35,292	(1,664)	33,628
Local Contributions Received	1,450	0	1,450
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>36,742</u>	<u>(1,664)</u>	<u>35,078</u>
<u>Cash Flows From Investing Activities</u>			
Interest on Investments	259	74	333
Purchase of Investment Securities	(23,069)	0	(23,069)
Net Cash Provided (Used) by Investing Activities	<u>(22,810)</u>	<u>74</u>	<u>(22,736)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(27,213)	(1,590)	(28,803)
Cash and Cash Equivalents at Beginning of Year	<u>58,500</u>	<u>29,733</u>	<u>88,233</u>
Cash and Cash Equivalents at End of Year	<u>\$ 31,287</u>	<u>\$ 28,143</u>	<u>\$ 59,430</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income (Loss)	\$ (74,549)	\$ 0	\$ (74,549)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	34,187	0	34,187
Change in Assets and Liabilities:			
Unearned Revenue	50	0	50
Accounts Payable and Accrued Liabilities	(833)	0	(833)
Net Cash Provided (Used) by Operating Activities	<u>\$ (41,145)</u>	<u>\$ 0</u>	<u>\$ (41,145)</u>

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

COMBINING BALANCE SHEET  
DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT  
GOVERNMENTAL FUNDS  
December 31, 2018

	<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	\$ 50,300	\$ 0	\$ 50,300
Receivables:			
Property Taxes	65,306	27,896	93,202
Accounts, Net	<u>462</u>	<u>0</u>	<u>462</u>
Total Assets	<u>\$ 116,068</u>	<u>\$ 27,896</u>	<u>\$ 143,964</u>
<u>Liabilities</u>			
Accounts Payable	\$ 90	\$ 0	\$ 90
Due to Primary Government	7,016	0	7,016
Deposits Payable	<u>700</u>	<u>0</u>	<u>700</u>
Total Liabilities	7,806	0	7,806
<u>Deferred Inflows of Resources</u>			
Property Taxes Levied for 2019	65,306	27,896	93,202
<u>Fund Equity</u>			
Fund Balance:			
Restricted For:			
Economic Development	<u>42,956</u>	<u>0</u>	<u>42,956</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	<u>\$ 116,068</u>	<u>\$ 27,896</u>	<u>\$ 143,964</u>

CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT -  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
December 31, 2018

Total Governmental Fund Balances		\$	42,956
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	\$	850,369	
Accumulated Depreciation		<u>(162,142)</u>	
			688,227
Accrued Interest on Long-Term Liabilities			(623)
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:			
Installment Purchases Payable			<u>(88,000)</u>
Total Net Position - Governmental Activities		\$	<u><u>642,560</u></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, 2018

	<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	\$ 54,181	\$ 0	\$ 54,181
Federal Grants and Revenue	56,289	0	56,289
State Grants and Revenue	6,918	0	6,918
Interest and Rentals	2,126	0	2,126
Other Revenue	<u>623</u>	<u>0</u>	<u>623</u>
Total Revenue	<u>120,137</u>	<u>0</u>	<u>120,137</u>
<u>Expenditures</u>			
Current:			
Community and Economic Development	21,254	0	21,254
Capital Outlay	226,562	0	226,562
Debt Service:			
Principal	12,000	0	12,000
Interest and Fiscal Charges	<u>4,477</u>	<u>0</u>	<u>4,477</u>
Total Expenditures	<u>264,293</u>	<u>0</u>	<u>264,293</u>
Excess of Revenue Over (Under) Expenditures	(144,156)	0	(144,156)
Fund Balances - Beginning of Year	<u>187,112</u>	<u>0</u>	<u>187,112</u>
Fund Balances - End of Year	<u>\$ 42,956</u>	<u>\$ 0</u>	<u>\$ 42,956</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, 2018

Total Net Change in Fund Balances - Governmental Funds \$ (144,156)

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.

Capital Outlay	\$ 205,219	
Current Year Depreciation Expense	<u>(28,926)</u>	
Net difference		176,293

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	12,000
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Some expenses reported in the statement of activities do not require  
the use of current financial resources and, therefore, are not reported  
as expenditures in the governmental funds:

Net Change in Accrued Interest	<u>85</u>
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Change in Net Position of Governmental Activities	\$ <u><u>44,222</u></u>
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CHARTER TOWNSHIP OF OSCODA  
Iosco County, Michigan

BALANCE SHEET  
OSCODA-WURTSMITH AIRPORT LOCAL DEVELOPMENT FINANCE AUTHORITY -  
COMPONENT UNIT - GOVERNMENTAL FUND  
December 31, 2018

	<u>Special Revenue Fund Oscoda- Wurtsmith Airport Local Development Finance Authority</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 153,601
Receivables:	
Property Taxes	<u>105,445</u>
Total Assets	<u>\$ 259,046</u>
Liabilities	\$ 0
<u>Deferred Inflows of Resources</u>	
Property Taxes Levied for 2019	105,445
<u>Fund Equity</u>	
Restricted For:	
Economic Development	<u>153,601</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	<u>\$ 259,046</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, 2018

Special Revenue  
Fund  
Oscoda-Wurtsmith  
Airport Local  
Development  
Finance Authority

Revenue

Property Taxes	\$ 97,979
Interest and Rentals	<u>650</u>
Total Revenue	98,629

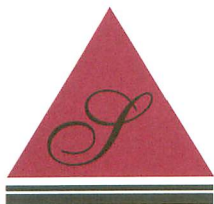
Expenditures

Current:	
Community and Economic Development	<u>140,163</u>

Excess of Revenue Over (Under) Expenditures	(41,534)
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Fund Balance - Beginning of Year	<u>195,135</u>
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Fund Balance - End of Year	<u><u>\$ 153,601</u></u>
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# *Stephenson & Company, P.C.*

Certified Public Accountants & Consultants

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

May 16, 2019

Management and the Township 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 December 31, 2018. 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 March 4, 2019. 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 May 16, 2019. We would also be pleased to meet with you to discuss these matters at your convenience.

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

Very truly yours,

*Stephenson & Company, P.C.*

## **APPENDIX I**

### **COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

#### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated March 4, 2019, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

#### **Planned Scope and Timing of the Audit**

We performed the audit as outlined in our engagement letter related to planning matters dated March 4, 2019.

#### **Significant Audit Findings**

##### **Qualitative Aspects of Accounting Practices**

- Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Charter Township of Oscoda are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by the government unit 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 May 16, 2019 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.

## **APPENDIX I**

### **COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

#### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated May 16, 2019.

#### **Management Consultations with Other Independent Accountants**

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

#### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of Oscoda’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### **Other Matters**

We applied certain limited procedures to the management’s discussion and analysis, required pension schedules, and budgetary comparison information, which are required supplementary information (RSI) that 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 December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of Oscoda's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Oscoda's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Oscoda's internal control.

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

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

### **FINANCIAL STATEMENT PREPARATION CONTROLS**

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation 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.

View of Responsible Officials:

The Charter Township of Oscoda has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

### **LACK OF CONTROLS OVER THE UTILITY BILLING PROCESS**

During our audit procedures related to the utility billing process, we observed a significant lack of internal controls over the process. The effect of this material weakness is that several errors occurred in 2018 and significant billing adjustments were required. Another effect of this material weakness is that the Township is at a significantly increased risk of the misappropriation of assets due to fraud without detection. During the second half of 2018, the Superintendent did begin reviewing billing registers prior to bills being sent to customers. This review process identified several errors and we believe this review process should continue. We also recommend the following internal controls be implemented to safeguard the Township's assets and further prevent or detect errors. We recommend the following:

## **APPENDIX II MANAGEMENT COMMENTS**

- We recommend the implementation of regular review of reports offered by the Township's software, including the zero consumption report and the estimated read reports as part of the monthly billing process in order to assist in ensuring customers are properly billed.
- We recommend that each month all billing adjustments are also reviewed by the Superintendent as part of his monthly review of the process to ensure the billing adjustments are correct and warranted.
- We recommend a threshold is established for review and approval of significant billing adjustments by the Superintendent prior to the adjustments being recorded to the system by the utility billing department.
- We recommend that the Township reinstate their previous practice of tracking unbilled water use and in maintaining its water loss spreadsheet to be reviewed each month by the Township Superintendent.

View of Responsible Officials:

The following controls will be implemented by the Township in 2019 in response to the above finding:

- The monthly process for the review of the billing register is as follows: it is reviewed by the billing specialist and if the amounts are greater than expected then a report is run for the high billed usage (over \$700). After reviewing those accounts, the billing register is then reviewed by the billing specialist and emailed for review by the Clerk, the Executive Secretary, and the Township Superintendent.
- A zero consumption report and an estimated read report will be generated on a monthly basis after bills have been created and mailed out.
- A bill adjustment report will be generated on the 28<sup>th</sup> of every month for all billing adjustments created and will be sent to the Township Superintendent to be reviewed. Any bill adjustment of \$500 or more will need to be reviewed for approval before the final adjustment is made.
- The Water Department Supervisor will provide a water loss report at the beginning of every month which will be emailed to the billing specialist, who will then enter the totals into an excel spreadsheet and store it in the water loss file. This water loss report will be reported to the Township Board on a semi-annual basis.

## **INTERNAL CONTROLS OVER FINANCIAL SOFTWARE APPLICATIONS**

In the prior year audit, a segregation of duties issue as it applied to software applications was discovered. Specifically, during our audit procedures related to utility billing, we observed that employees of the Treasurer's office had access to make utility billing adjustments. This was corrected in 2018. Also, in December of 2018, the Township Board adopted a software access controls policy for its financial software which included all users and their individual access to each module. However, as of audit fieldwork this had yet to be implemented and some employees still had access to unapproved areas. In addition, there were still users in the system that were no longer employees of the Township. We recommend that the Township implement and continue to monitor adherence to the policy it adopted. Further, we recommend that the Township remove all users that are not current employees of the Township.

View of Responsible Officials:

Since audit fieldwork has been completed, the Township has implemented the financial software access controls policy adopted by the Township Board in December 2018. Upon implementation of the financial software access controls policy, there will be minor adjustments provided to the Township Board for approval moving forward. The Township has also removed all users that are not current employees of the Township.

## **REVIEW OF GENERAL JOURNAL ENTRIES**

In the Township's current system of internal controls, there is no review or approval process for manual general ledger adjustments. Currently, the Clerk, Deputy Clerk, Treasurer, Deputy Treasurer, and administrator of system have access to make manual adjustments. We recommend that an internal control process is put into place for the review of all manual adjustments by an individual other than the one preparing the adjustments. To ensure completeness of this review, we recommend that the reviewer obtain a report directly from the general ledger software detailing all adjustments. The review should be documented and documentation should be maintained by the Township as part of this process.

## **APPENDIX II MANAGEMENT COMMENTS**

### **View of Responsible Officials:**

After speaking with our auditors at the exit conference for the 2018 audit, we have determined that even with the significant strides in limiting manual entries into the general ledger from the last audit suggestions (process as much as possible through the cash receipting module), they have recognized a few more places that potential fraud can be mitigated by implementing the strategies outlined. Therefore, the Township Superintendent will be running a "manual journal entries report", including all users and entries, on a monthly basis. Reviewing them and electronically storing report to be examined by the auditors when requested.

### **ACCOUNTING FOR CAMPING PERMITS**

Internal controls are designed to safeguard assets and assist in the detection of losses from employee dishonesty or error. During our audit, we conducted a thorough examination of the internal controls in place at the Old Orchard Park registration office. While the majority of our previous internal control recommendations were implemented and working properly, there was one area that was not. In the past, we recommended that all camping permits were accounted for sequentially. This should include review by a supervisor to ensure all permits are accounted for sequentially and documentation should be made of this review. Any missing or void permits should be investigated by a supervisor and documented with the daily receipt sheet. This is not currently being done. The effect of this weakness is that the Township is at an increased risk of misappropriation of assets without prevention or detection and because of this, we continue to recommend that camping permits are accounted for sequentially.

### **View of Responsible Officials:**

Effective in the 2019 camping season, a different method of reservation filing will be used by park staff alerting the supervisor to any missing or void permits. The supervisor will then insert documentation regarding the missing reservation number and an explanation as to why it is out of sequence, cross-referencing the applicable date.

### **RECORDING OF INTEREST FOR INVESTMENT ACCOUNTS**

During our audit procedures related to cash and investments, it was noted that interest was not recorded for certain investment accounts. The effect of this material weakness is that the Township's general ledger balance for the investments was significantly lower than the actual balance. We recommend that the Township record interest on its investments on a monthly basis and that a reconciliation is done on these general ledger accounts to ensure that the balance is accurate.

### **View of Responsible Officials:**

The entries to record interest for the investment accounts will be made on a monthly basis. In addition, reconciliation of the investment accounts will be done as a part of the monthly bank reconciliation process. Both of these tasks will now be performed by the clerk's office.

### **BANK TRANSFER AUTHORIZATION CONTROLS**

Under the Township's current system of internal controls, both the treasurer and deputy treasurer may initiate bank transfers between accounts without involvement or authorization by another individual. The effect of this material weakness is that transfers could occur out of the Township's bank accounts to an unapproved account without detection. During our audit testing related to cash, all transfers we tested were transfers between accounts of the Township. However, we recommend that the Township contact its financial institutions on at least a yearly basis and provide them with a listing of approved Township accounts and specify that transfers out of any approved accounts should only be to other approved accounts included on the listing. We recommend that this listing of approved accounts is reviewed and approved by both the Treasurer and Clerk's office at least annually. Further, we recommend that the Township contact its financial institutions to explore other protections that may be available for these types of transactions.



## APPENDIX II MANAGEMENT COMMENTS

### View of Responsible Officials:

Since speaking with our auditors during the audit in February, we have initiated and completed set up of dual controls through Huron Community Bank for all applicable accounts. This will be reviewed annually with the financial institution to be sure all accounts are up to date. From HCB we have also taken advantage of Positive pay through accounts payable to help discourage fraudulent activity. We are currently looking into other safeguards provided by our financial institution.

The Charter Township of Oscoda's responses to the findings in our audit are described above. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

### STATUS OF PRIOR YEAR COMMENTS:

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

<u>Comment</u>	<u>Implemented/ 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	
Signature Requirements for Checks	X			
Use of Interfund Loans in Lieu of Reimbursement of Expenses	X			