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**CHARTER TOWNSHIP OF OSCODA, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Charter Township of Oscoda, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Oscoda, Michigan, (the "Township") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As stated in Note 17 to the basic financial statements, the Township adopted GASB Statement No. 87, *Leases* in 2022, which represents a change in its policy for reporting lease activities. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The accompanying combining and individual nonmajor and fiduciary fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and individual nonmajor and fiduciary fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Gabridge & Company, PLC
Grand Rapids, Michigan
June 30, 2023

DRAFT

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Charter Township of Oscoda
Management's Discussion and Analysis
December 31, 2022**

As management of Charter Township of Oscoda (the "Township" or "government"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and the notes to the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Township exceeded its liabilities and deferred inflows of resources on December 31, 2022 by \$35,939,132. Of this amount, \$13,386,931 is unrestricted and may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net position increased by \$3,669,565 during the year ended December 31, 2022. Revenues were \$11,501,002 and expenses were \$7,831,437.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$8,425,732, an increase of \$1,085,662 in comparison with the prior year. Approximately 47.9% of this amount, or \$4,034,827, is available for spending at the Township's discretion (*unassigned fund balance*).
- On December 31, 2022, unassigned fund balance for the general fund was \$4,034,827, or 185.6% of the general fund's annualized expenditures and transfers out.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township finances, in a manner similar to a private sector business.

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

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

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government services (such as: administration, clerk, and treasurer); public safety (sheriff, road patrol); public works; health and welfare (such as: health, mental health, and childcare), and a variety of other services. The business-type activities of the Township include the water system, sewer system, and old orchard park activities and are funded primarily with charges for services.

The Township includes one other legally separate entity: the Oscoda-Wurtsmith Airport Local Development Finance Authority. Although legally separate, this "component unit" is important because the Township is financially accountable for them.

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

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

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

The Township maintains individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, central dispatch, and commission on aging funds, each of which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these

nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

Custodial funds. Custodial funds are used to account for resources held for the benefit of parties outside the government. Custodial funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other information. In addition to the basic financial statement and accompanying notes, this report also presents certain information concerning the Township's budget compliance and its progress in funding its obligation to provide pension benefits to its employees. This information can be found immediately following the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds, are presented following the required supplemental information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35,939,132 at the close of the most recent fiscal year. A large portion of the Township's net position (59.3%, or \$21,327,103) represents its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position (3.4%, or \$1,225,098) represents resources that are subject to external restrictions on how they may be used. Restricted net position refers to amounts that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. The remaining portion of the Township's net position (37.2%, or \$13,386,931) is comprised of unrestricted net position. These amounts may

be used to meet the government's ongoing obligations to citizens and creditors.

Charter Township of Oscoda's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 8,798,763	\$ 8,070,767	\$ 2,941,702	\$ 2,440,911	\$ 11,740,465	\$ 10,511,678
Accounts Receivable	11,248	15,003	307,993	264,669	319,241	279,672
Property Taxes Receivable	2,082,919	1,684,074	-	-	2,082,919	1,684,074
Special Assessments Receivable	43,823	55,368	-	-	43,823	55,368
Leases Receivable	13,200	-	-	-	13,200	-
Due from Other Governments	239,134	140,420	959,560	-	1,198,694	140,420
Prepays and Inventory	-	-	-	4,168	-	4,168
Total Current Assets	11,189,087	9,965,632	4,209,255	2,709,748	15,398,342	12,675,380
<i>Noncurrent Assets</i>						
Leases Receivable, Long-term	130,937	-	-	-	130,937	-
Restricted Cash and Investments	-	-	48,683	48,683	48,683	48,683
Capital Assets not being Depreciated	5,634,541	5,678,746	13,113,424	4,556,768	18,747,965	10,235,514
Capital Assets being Depreciated, net	3,261,285	5,503,412	7,985,853	7,910,046	11,247,138	13,413,458
Investment in Huron Shore Regional Utility Authority	-	-	4,149,964	4,149,964	4,149,964	4,149,964
Total Assets	20,215,850	21,147,790	29,507,179	19,375,209	49,723,029	40,522,999
DEFERRED OUTFLOWS OF RESOURCES						
Charge on Refunding	-	-	4,243	6,666	4,243	6,666
Pension Related	634,957	333,925	-	-	634,957	333,925
Total Deferred Outflows of Resources	634,957	333,925	4,243	6,666	639,200	340,591
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	85,917	159,595	1,007,191	244,554	1,093,108	404,149
Accrued Liabilities	117,262	67,070	7,762	3,405	125,024	70,475
Unearned Revenue	2,842	317,042	116,016	126,366	118,858	443,408
Accrued Interest	-	-	39,070	16,080	39,070	16,080
Current Portion of Long-term Debt	-	-	518,000	375,000	518,000	375,000
Compensated Absences	53,597	45,438	7,507	5,496	61,104	50,934
Deposit Payable	40,468	40,518	-	2,952	40,468	43,470
Total Current Liabilities	300,086	629,663	1,695,546	773,853	1,995,632	1,403,516
<i>Noncurrent Liabilities</i>						
Long-term Debt	-	-	7,175,835	3,231,055	7,175,835	3,231,055
Compensated Absences	96,878	81,200	8,436	9,823	105,314	91,023
Net pension Liability	2,435,856	1,785,343	-	-	2,435,856	1,785,343
Total Liabilities	2,832,820	2,496,206	8,879,817	4,014,731	11,712,637	6,510,937
DEFERRED INFLOWS OF RESOURCES						
Taxes Levied for a Subsequent Period	2,506,014	2,303,130	-	-	2,506,014	2,303,130
Deferred Lease Revenues	141,789	-	-	-	141,789	-
Pension Related	62,657	233,137	-	-	62,657	233,137
Total Deferred Inflows of Resources	2,710,460	2,536,267	-	-	2,710,460	2,536,267
NET POSITION						
Net Investment in Capital Assets	8,895,826	11,182,158	12,431,277	8,867,425	21,327,103	20,049,583
Restricted	1,176,415	1,082,266	48,683	48,683	1,225,098	1,130,949
Unrestricted	5,235,286	4,184,818	8,151,645	6,451,036	13,386,931	10,635,854
Total Net Position	\$ 15,307,527	\$ 16,449,242	\$ 20,631,605	\$ 15,367,144	\$ 35,939,132	\$ 31,816,386

Following is a summary of the significant changes from the prior year:

- Cash and investments increased by \$1,228,787 due largely to the increase in long-term debt and the acquisition of capital assets.
- Capital assets not being depreciated increased by \$8,512,451 due to construction in progress of the water main extension and sanitary sewer system improvements projects.

- Capital assets being depreciated, net decreased by \$2,166,320 due to the disposal and sale of multiple buildings.

The Township's total net position increased by 11.5%, or \$3,669,565, from \$31,816,386 in the prior year to \$35,939,132 for the year ended December 31, 2022. A two-year comparison of revenues and expenses for the Township follows:

Charter Township of Oscoda's Changes in Net Position

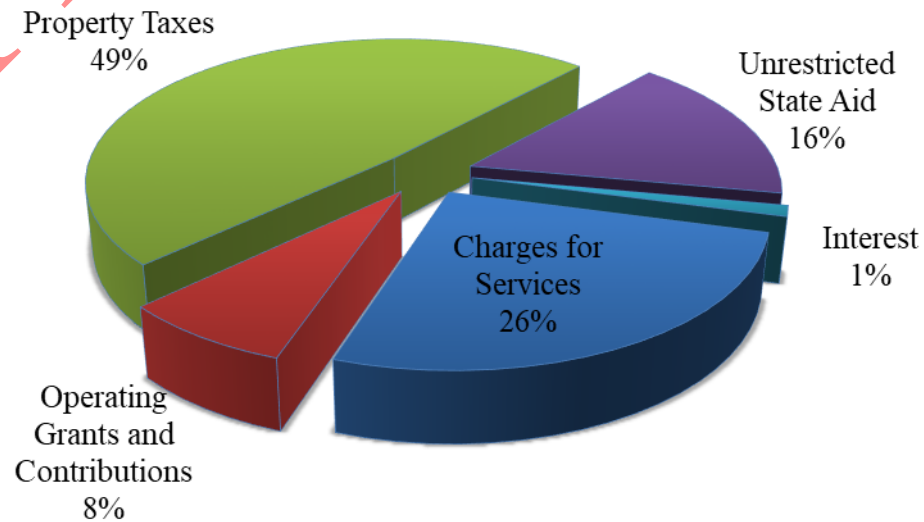
	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for Services	\$ 1,304,921	\$ 1,406,287	\$ 3,877,454	\$ 3,468,113	\$ 5,182,375	\$ 4,874,400
Operating Grants and Contributions	385,129	45,422	-	10,000	385,129	55,422
Capital Grants and Contributions	-	212,868	4,102,447	-	4,102,447	212,868
General Revenues						
Property Taxes	2,445,638	2,320,453	-	-	2,445,638	2,320,453
Unrestricted State Aid	817,098	743,621	-	-	817,098	743,621
Interest Income	59,328	16,677	13,709	5,935	73,037	22,612
Loss on Sale of Medical Building	(1,504,722)	-	-	-	(1,504,722)	-
Total Revenues	3,507,392	4,745,328	7,993,610	3,484,048	11,501,002	8,229,376
Expenses						
General Government	1,515,622	1,457,132	-	-	1,515,622	1,457,132
Public Safety	2,382,425	1,824,747	-	-	2,382,425	1,824,747
Public Works	62,985	69,135	-	-	62,985	69,135
Community and Economic Development	717,391	1,014,518	-	-	717,391	1,014,518
Recreation and Culture	503,904	389,893	-	-	503,904	389,893
Old Orchard Park	-	-	732,513	664,377	732,513	664,377
Water	-	-	1,159,587	1,155,180	1,159,587	1,155,180
Sewer	-	-	757,010	810,297	757,010	810,297
Total Expenses	5,182,327	4,755,425	2,649,110	2,629,854	7,831,437	7,385,279
Changes in Net Position before Transfers	(1,674,935)	(10,097)	5,344,500	854,194	3,669,565	844,097
Transfers, net	260,000	246,400	(260,000)	(246,400)	-	-
Changes in Net Position	(1,414,935)	236,303	5,084,500	607,794	3,669,565	844,097
<i>Net Position at the Beginning of Period</i> <i>(Restated, Note 17)</i>	16,722,462	16,212,939	15,547,105	14,759,350	32,269,567	30,972,289
Net Position at the End of Period	\$ 15,307,527	\$ 16,449,242	\$ 20,631,605	\$ 15,367,144	\$ 35,939,132	\$ 31,816,386

Governmental activities decreased the Township's net position by \$1,414,935 while business-type activities increased net position by \$5,084,500. Following is a summary of significant changes between the prior and current years:

- Charges for services increased by \$307,975, primarily due to an increase in volume of utility bills by 18% and an annual increase of 2% to utility billing fees.
- Operating and capital grants and contributions increased by \$329,707 and \$3,889,579 respectively during 2022. This increase is due to the Township receiving one-time grant funding for various water main extension projects and spending ARPA funding during 2022.
- Public safety expenses increased by \$55,7678 due to the change in the defined benefit pension plan during the year.

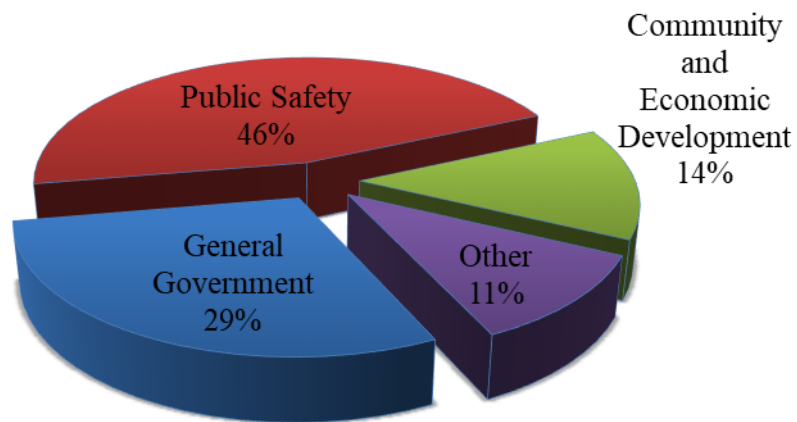
The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year-end:

Governmental Activities Revenues



The following chart summarizes the expenses for the governmental activities of the Township for the most recent fiscal year-end:

Governmental Activities Expenses



Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the Township *governmental fund statements* is to provide information on near term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unassigned fund balance of \$4,034,827 of the general fund represented 104.0% of total general fund expenditures and transfers out.

The **general fund** had an increase of \$667,680 in fund balance from \$3,375,043 in the prior fiscal year to \$4,042,723 in the current fiscal year. The increase in fund balance was largely a result of a significant increase in other financing sources such as transfers and sale of capital assets.

The **property operation and maintenance fund**, a major fund, increased by \$299,704 for an ending fund balance of \$3,092,319. The increase in fund balance was caused by a sale of capital assets.

The **police fund**, a major fund, decreased by \$61,429 for an ending fund balance of \$27,088. The change was caused by an increase in expenses compared to the prior year.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the old orchard park fund at the end of the year was \$985,580. The old orchard park fund had an increase in net position of \$134,918. The ending unrestricted net position for the water fund was \$14,027,230. The water fund had an increase in net position of \$2,726,355. The ending unrestricted net position for the sewer fund was \$5,618,795. The sewer fund had an increase in net position of \$2,223,227. Summarized explanations for the changes in net position were provided in an earlier section of this report.

General Fund Budgetary Highlights

The general fund's original estimated revenues and original budgeted expenditures had a few significant amendments made during the year. See the detailed budgetary comparison schedules further on in this report for more information.

The Township had the following general fund expenditures in excess of the amounts appropriated during the year ended December 31, 2022:

General Fund	Final	Actual	Variance
Fire Department	\$ 193,291	\$ 195,230	\$ (1,939)
Police Fund	Final	Actual	Variance
Public Safety	\$ 1,539,955	\$ 1,547,929	\$ (7,974)

Capital Asset and Debt Administration

Capital assets. As of December 31, 2022, the Township's investment in capital assets amounted to \$29,995,103 (net of accumulated depreciation). The investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment, infrastructure, and vehicles. The net increase in the Township's capital assets during the year was \$6,346,131, or 26.8%. The Township's significant capital asset additions included:

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

Long-term Debt. At the end of fiscal year 2022 and 2021, the Township had \$7,693,835 and \$3,606,055 in debt outstanding. Further details on long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

In preparing the Township's budget for the year ending December 31, 2023, the Township considered the following issues: state revenue sharing and property tax revenues and corresponding expenditures; the necessary maintenance and capital expenditures in addition to the normal operating costs.

Requests for Information

This financial report is designed to provide a general overview of the Township 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:

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

DRAFT

BASIC FINANCIAL STATEMENTS

**Charter Township of Oscoda
Statement of Net Position
December 31, 2022**

	Primary Government			
	Governmental	Business-type		
	Activities	Activities	Total	Component Units
ASSETS				
Current Assets				
Cash and Investments	\$ 8,798,763	\$ 2,941,702	\$ 11,740,465	\$ 489,615
Accounts Receivable	11,248	307,993	319,241	--
Property Taxes Receivable	2,082,919	--	2,082,919	208,459
Special Assessments Receivable	43,823	--	43,823	--
Leases Receivable	13,200	--	13,200	--
Due from Other Units of Governments	239,134	959,560	1,198,694	--
Total Current Assets	11,189,087	4,209,255	15,398,342	698,074
Noncurrent Assets				
Leases Receivable, Long-term	130,937	--	130,937	--
Restricted Cash and Investments	--	48,683	48,683	--
Capital Assets not being Depreciated	5,634,541	13,113,424	18,747,965	--
Capital Assets being Depreciated, net	3,261,285	7,985,853	11,247,138	--
Investment in Huron Shore Regional Utility Authority	--	4,149,964	4,149,964	--
Total Assets	20,215,850	29,507,179	49,723,029	698,074
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charges on Refunding	--	4,243	4,243	--
Pension	634,957	--	634,957	--
Total Deferred Outflows of Resources	634,957	4,243	639,200	--
LIABILITIES				
Current Liabilities				
Accounts Payable	85,917	1,007,191	1,093,108	--
Accrued Liabilities	117,262	7,762	125,024	--
Unearned Revenue	2,842	116,016	118,858	--
Accrued Interest	--	39,070	39,070	--
Current Portion of Compensated Absences	53,597	7,507	61,104	--
Current Portion of Long-term Debt	--	518,000	518,000	--
Deposit Payable	40,468	--	40,468	--
Total Current Liabilities	300,086	1,695,546	1,995,632	--
Noncurrent Liabilities				
Compensated Absences	96,878	8,436	105,314	--
Long-term Debt	--	7,175,835	7,175,835	--
Net Pension Liability	2,435,856	--	2,435,856	--
Total Liabilities	2,832,820	8,879,817	11,712,637	--
DEFERRED INFLOWS OF RESOURCES				
Pension	62,657	--	62,657	--
Deferred Lease Revenues	141,789	--	141,789	--
Taxes Levied for a Subsequent Period	2,506,014	--	2,506,014	208,459
Total Deferred Inflows of Resources	2,710,460	--	2,710,460	208,459
NET POSITION				
Net Investment in Capital Assets	8,895,826	12,431,277	21,327,103	--
Restricted for:				
Capital Projects	827,191	--	827,191	--
Public Safety	3,405	--	3,405	--
Public Works	237,475	--	237,475	--
Debt Service	--	935	935	--
Capital Improvements	--	47,748	47,748	--
Recreation and Culture	100,448	--	100,448	--
Community and Economic Development	7,896	--	7,896	--
Unrestricted	5,235,286	8,151,645	13,386,931	489,615
Total Net Position	\$ 15,307,527	\$ 20,631,605	\$ 35,939,132	\$ 489,615

The Notes to the Financial Statements are an Integral Part of these Financial Statements

**Charter Township of Oscoda
Statement of Activities
For the Year Ended December 31, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 1,515,622	\$ 212,552	\$ 369,003	\$ --	\$ (934,067)	\$ --	\$ (934,067)	\$ --
Public Safety	2,382,425	511,763	9,891	--	(1,860,771)	--	(1,860,771)	--
Public Works	62,985	59,892	--	--	(3,093)	--	(3,093)	--
Community and Economic Development	717,391	377,615	--	--	(339,776)	--	(339,776)	--
Recreation and Culture	503,904	143,099	6,235	--	(354,570)	--	(354,570)	--
Total Governmental Activities	5,182,327	1,304,921	385,129	--	(3,492,277)	--	(3,492,277)	--
Business-type Activities:								
Old Orchard Park	732,513	1,034,345	--	--	--	301,832	301,832	--
Water	1,159,587	1,513,376	--	2,412,447	--	2,766,236	2,766,236	--
Sewer	757,010	1,329,733	--	1,690,000	--	2,262,723	2,262,723	--
Total Business-type Activities	2,649,110	3,877,454	--	4,102,447	--	5,330,791	5,330,791	--
Total Primary Government	\$ 7,831,437	\$ 5,182,375	\$ 385,129	\$ 4,102,447	\$ (3,492,277)	\$ 5,330,791	\$ 1,838,514	--
Component Unit								
Local Development Finance Authority	\$ 20,261	\$ --	\$ --	\$ --	--	--	--	(20,261)
Total Component Unit	\$ 20,261	\$ --	\$ --	\$ --	--	--	--	(20,261)
General Purpose Revenues and Transfers:								
Revenues								
Property Taxes					2,445,638	--	2,445,638	180,515
Interest Income					59,328	13,709	73,037	1,371
Intergovernmental					817,098	--	817,098	--
Loss on Sale of Capital Assets					(1,504,722)	--	(1,504,722)	--
Transfers					260,000	(260,000)	--	--
Total General Revenues and Transfers					2,077,342	(246,291)	1,831,051	181,886
Change in Net Position					(1,414,935)	5,084,500	3,669,565	161,625
<i>Fund Balance at Beginning of Period - as Restated (Note 16)</i>					16,722,462	15,547,105	32,269,567	327,990
Net Position at End of Period					\$ 15,307,527	\$ 20,631,605	\$ 35,939,132	\$ 489,615

The Notes to the Financial Statements are an Integral Part of these Financial Statements

**Charter Township of Oscoda
Balance Sheet
Governmental Funds
December 31, 2022**

ASSETS

Cash and Investments
Accounts Receivable
Property Taxes Receivable
Special Assessments Receivable
Leases Receivable
Due from Other Units of Governments

Total Assets

LIABILITIES

Accounts Payable
Accrued Liabilities
Unearned Revenue
Deposit Payable

Total Liabilities

DEFERRED INFLOWS OF RESOURCES

Deferred Lease Revenues
Taxes Levied for a Subsequent Period

Total Liabilities and Deferred Inflows of Resources

FUND BALANCE

Restricted
Committed
Unassigned

Total Fund Balance

Total Liabilities, Deferred Inflows of Resources and Fund Balance

	General	Special Revenue		Other Governmental Funds	Total Governmental Funds
		Property Operation and Maintenance	Police		
\$	4,190,307	\$ 3,121,644	\$ 128,295	\$ 1,358,517	\$ 8,798,763
	--	11,248	--	--	11,248
	1,387,123	--	231,932	463,864	2,082,919
	43,823	--	--	--	43,823
	--	144,137	--	--	144,137
	239,134	--	--	--	239,134
\$	5,860,387	\$ 3,277,029	\$ 360,227	\$ 1,822,381	\$ 11,320,024
\$	23,268	\$ 41,126	\$ 6,436	\$ 15,087	\$ 85,917
	37,487	1,795	62,564	15,416	117,262
	2,842	--	--	--	2,842
	40,468	--	--	--	40,468
	104,065	42,921	69,000	30,503	246,489
	--	141,789	--	--	141,789
	1,713,599	--	264,139	528,276	2,506,014
	1,817,664	184,710	333,139	558,779	2,894,292
	7,896	--	27,088	1,141,431	1,176,415
	--	3,092,319	--	122,171	3,214,490
	4,034,827	--	--	--	4,034,827
	4,042,723	3,092,319	27,088	1,263,602	8,425,732
\$	5,860,387	\$ 3,277,029	\$ 360,227	\$ 1,822,381	\$ 11,320,024

The Notes to the Financial Statements are an Integral Part of these Financial Statements

Charter Township of Oscoda
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2022

Total Fund Balance - Governmental Funds	\$ 8,425,732
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. This represents capital assets of \$13,587,923 less accumulated depreciation of \$4,692,097.	8,895,826
Unavailable revenues are not available to pay current period expenditures and, therefore, are deferred inflows of resources in the funds.	--
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.	(1,863,556)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(150,475)
Total Net Position - Governmental Activities	\$ <u>15,307,527</u>

Charter Township of Oscoda
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

		Special Revenue			
	General	Property Operation and Maintenance	Police	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 1,692,082	\$ --	\$ 251,174	\$ 502,382	\$ 2,445,638
Special Assessments	50,841	--	--	--	50,841
Licenses and Permits	81,339	--	--	--	81,339
Intergovernmental	1,186,101	--	9,011	11,427	1,206,539
Charges for Services	562,223	--	--	140,766	702,989
Fines and Forfeitures	--	--	5,431	281	5,712
Interest and Rentals	32,142	279,103	4,681	7,919	323,845
Other Revenue	101,335	90,545	14,215	543	206,638
Total Revenues	3,706,063	369,648	284,512	663,318	5,023,541
Expenditures					
General Government	1,475,518	--	--	--	1,475,518
Public Safety	195,230	--	1,547,929	396,019	2,139,178
Public Works	--	--	--	24,169	24,169
Community and Economic Development	119,166	494,511	--	--	613,677
Recreation and Culture	259,569	--	--	246,740	506,309
Total Expenditures	2,049,483	494,511	1,547,929	666,928	4,758,851
Excess of Revenues Over (Under) Expenditures	1,656,580	(124,863)	(1,263,417)	(3,610)	264,690
Other Financing Sources (Uses)					
Sale of Capital Assets	68,555	492,417	--	--	560,972
Transfers In	187,850	--	1,201,988	183,317	1,573,155
Transfers Out	(1,245,305)	(67,850)	--	--	(1,313,155)
Net Other Financing Sources (Uses)	(988,900)	424,567	1,201,988	183,317	820,972
Net Change in Fund Balance	667,680	299,704	(61,429)	179,707	1,085,662
<i>Fund Balance at Beginning of Period - as Restated (Note 16)</i>	<i>3,375,043</i>	<i>2,792,615</i>	<i>88,517</i>	<i>1,083,895</i>	<i>7,340,070</i>
Fund Balance at End of Period	\$ 4,042,723	\$ 3,092,319	\$ 27,088	\$ 1,263,602	\$ 8,425,732

The Notes to the Financial Statements are an Integral Part of these Financial Statements

Charter Township of Oscoda
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2022

Total Net Change in Fund Balances - Governmental Funds	\$ 1,085,662
The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.	(179,001)
Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This represents current year capital outlay of \$169,695 less depreciation expense of \$390,333 and net disposal of capital assets of \$2,065,694.	(2,286,332)
Change to compensated absences are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	(23,837)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(11,427)
Changes in Net Position - Governmental Activities	\$ <u>(1,414,935)</u>

**Charter Township of Oscoda
Statement of Net Position
Proprietary Funds
December 31, 2022**

Business-type Activities - Enterprise Funds

	Old Orchard Park	Water	Sewer	Total Enterprise Funds
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 949,040	\$ 470,970	\$ 1,521,692	\$ 2,941,702
Accounts Receivable	--	159,722	148,271	307,993
Due from Other Units of Governments	--	663,619	295,941	959,560
Total Current Assets	949,040	1,294,311	1,965,904	4,209,255
<i>Noncurrent Assets</i>				
Restricted Cash and Investments	--	--	48,683	48,683
Capital Assets not being Depreciated	--	6,841,199	6,272,225	13,113,424
Capital Assets being Depreciated, net	199,644	3,839,853	3,946,356	7,985,853
Investment in Huron Shore Regional Utility Authority	--	4,149,964	--	4,149,964
Total Assets	1,148,684	16,125,327	12,233,168	29,507,179
DEFERRED OUTFLOWS OF RESOURCES				
Charge on Refunding	--	--	4,243	4,243
Total Deferred Outflows of Resources	--	--	4,243	4,243
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	23,383	753,399	230,409	1,007,191
Accrued Liabilities	7,762	--	--	7,762
Unearned Revenue	116,016	--	--	116,016
Accrued Interest	--	6,274	32,796	39,070
Current Portion of Compensated Absences	7,507	--	--	7,507
Current Portion of Long-term Debt	--	65,000	453,000	518,000
Total Current Liabilities	154,668	824,673	716,205	1,695,546
<i>Noncurrent Liabilities</i>				
Long-term Debt	--	1,273,424	5,902,411	7,175,835
Compensated Absences	8,436	--	--	8,436
Total Liabilities	163,104	2,098,097	6,618,616	8,879,817
NET POSITION				
Net Investment in Capital Assets	199,644	8,591,389	3,640,244	12,431,277
<i>Restricted for:</i>				
Debt Service	--	--	935	935
Capital Improvements	--	--	47,748	47,748
<i>Unrestricted</i>	785,936	5,435,841	1,929,868	8,151,645
Total Net Position	\$ 985,580	\$ 14,027,230	\$ 5,618,795	\$ 20,631,605

The Notes to the Financial Statements are an Integral Part of these Financial Statements

Charter Township of Oscoda
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2022

Business-type Activities - Enterprise Funds

	Old Orchard Park	Water	Sewer	Total Enterprise Funds
Operating Revenues				
Charges for Services	\$ 1,030,939	\$ 1,513,376	\$ 1,288,972	\$ 3,833,287
Total Operating Revenues	<u>1,030,939</u>	<u>1,513,376</u>	<u>1,288,972</u>	<u>3,833,287</u>
Operating Expenses				
Salaries and Wages	328,779	--	--	328,779
Payroll Taxes and Employee Benefits	118,828	--	--	118,828
Depreciation	19,969	172,797	204,555	397,321
Equipment	3,890	4,249	--	8,139
Gasoline and Oil	11,214	--	--	11,214
Insurance and Bonds	7,622	9,669	11,338	28,629
Licenses and Permits	5,945	--	3,650	9,595
Office and Operating Supplies	102,493	9,678	123	112,294
Printing and Advertising	897	2,844	1,925	5,666
Professional Fees and Services	1,298	344,509	367,708	713,515
Repair and Maintenance	46,664	40,206	11,621	98,491
Utilities	65,741	556,178	62,547	684,466
Other	19,173	2,689	--	21,862
Total Operating Expenses	<u>732,513</u>	<u>1,142,819</u>	<u>663,467</u>	<u>2,538,799</u>
Operating Income (Loss)	<u>298,426</u>	<u>370,557</u>	<u>625,505</u>	<u>1,294,488</u>
Non-Operating Revenues (Expenses)				
Interest Income	3,086	5,119	5,504	13,709
Other Revenue	3,406	--	40,761	44,167
Interest Expense	--	(16,768)	(93,543)	(110,311)
Net Non-Operating Revenues (Expenses)	<u>6,492</u>	<u>(11,649)</u>	<u>(47,278)</u>	<u>(52,435)</u>
Income Before Contributions and Transfers	<u>304,918</u>	<u>358,908</u>	<u>578,227</u>	<u>1,242,053</u>
Capital Contributions	--	2,412,447	--	2,412,447
Loan Forgiveness	--	--	1,690,000	1,690,000
Transfers Out	(170,000)	(45,000)	(45,000)	(260,000)
Change In Net Position	<u>134,918</u>	<u>2,726,355</u>	<u>2,223,227</u>	<u>5,084,500</u>
<i>Net Position at Beginning of Period - as Restated (Note 16)</i>	<u>850,662</u>	<u>11,300,875</u>	<u>3,395,568</u>	<u>15,547,105</u>
Net Position at End of Period	<u>\$ 985,580</u>	<u>\$ 14,027,230</u>	<u>\$ 5,618,795</u>	<u>\$ 20,631,605</u>

The Notes to the Financial Statements are an Integral Part of these Financial Statements

**Charter Township of Oscoda
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022**

	Business-type Activities - Enterprise Funds			
	Old Orchard Park	Water Fund	Sewer	Total Enterprise Funds
Cash Flows from Operating Activities				
Cash Received from Charges for Service	\$ 1,020,646	\$ 832,868	\$ 966,539	\$ 2,820,053
Cash Payments for Wages and Benefits	(446,983)	-	-	(446,983)
Cash Payments to Suppliers for Goods and Services	(243,485)	(397,747)	(261,439)	(902,671)
<i>Net Cash Provided by Operating Activities</i>	<u>330,178</u>	<u>435,121</u>	<u>705,100</u>	<u>1,470,399</u>
Cash Flows from Non-capital Financing Activities				
Cash Received from Other Revenue	3,406	-	40,761	44,167
Cash Received (Paid to) Other Funds	(170,000)	(45,000)	(45,000)	(260,000)
<i>Net Cash Used by Non-capital Financing Activities</i>	<u>(166,594)</u>	<u>(45,000)</u>	<u>(4,239)</u>	<u>(215,833)</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from Bonds	-	385,786	7,576,994	7,962,780
Capital Assets Acquired	-	(549,199)	(5,885,753)	(6,434,952)
Interest Payments on Debt	-	(16,768)	(93,543)	(110,311)
Principal Payments on Debt	-	(60,000)	(2,125,000)	(2,185,000)
<i>Net Cash Used By Capital and Related Financing Activities</i>	<u>-</u>	<u>(240,181)</u>	<u>(527,302)</u>	<u>(767,483)</u>
Cash Flows from Investing Activities				
Interest Earned	3,085	5,119	5,504	13,708
<i>Net Cash Provided By Investing Activities</i>	<u>3,085</u>	<u>5,119</u>	<u>5,504</u>	<u>13,708</u>
Net Increase (Decrease) in Cash and Cash Equivalents	166,669	155,059	179,063	500,791
Cash and Cash Equivalents - Beginning of Year	782,371	315,911	1,391,312	2,489,594
<i>Cash and Cash Equivalents - End of Year</i>	<u>\$ 949,040</u>	<u>\$ 470,970</u>	<u>\$ 1,570,375</u>	<u>\$ 2,990,385</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 298,426	\$ 370,557	\$ 625,505	\$ 1,294,488
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	19,969	172,797	204,555	397,321
Changes in Assets and Liabilities				
Receivables (Net)	57	(16,889)	(26,492)	(43,324)
Inventory	4,168	-	-	4,168
Due from Other Units of Governments	-	(663,619)	(295,941)	(959,560)
Accounts Payable and Accrued Liabilities	17,284	572,275	197,473	787,032
Unearned Revenue	(10,350)	-	-	(10,350)
Accrued Compensated Absences	624	-	-	624
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 330,178</u>	<u>\$ 435,121</u>	<u>\$ 705,100</u>	<u>\$ 1,470,399</u>
Reconciliation to Statement of Net Position				
Cash and Investments	\$ 949,040	\$ 470,970	\$ 1,521,692	\$ 2,941,702
Restricted Cash and Investments	-	-	48,683	48,683
<i>Total Cash and Investments</i>	<u>\$ 949,040</u>	<u>\$ 470,970</u>	<u>\$ 1,570,375</u>	<u>\$ 2,990,385</u>

The Notes to the Financial Statements are an Integral Part of these Financial Statements

**Charter Township of Oscoda
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2022**

	<u>Custodial Funds</u>
ASSETS	
Cash and Investments	\$ 1,178,788
<i>Total Assets</i>	<u>1,178,788</u>
LIABILITIES	
Due to Other Governments	1,178,788
<i>Total Liabilities</i>	<u>1,178,788</u>
NET POSITION	
Restricted for individuals, organizations and other governments	\$ --

The Notes to the Financial Statements are an Integral Part of these Financial Statements

Charter Township of Oscoda
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2022

	<u>Custodial Funds</u>
Additions	
Taxes Collected for Other Governments	\$ 8,540,770
<i>Total Additions</i>	<u>8,540,770</u>
Deductions	
Payments of Property Taxes to Other Governments	8,540,770
<i>Total Deductions</i>	<u>8,540,770</u>
<i>Change in Net Position</i>	--
Net Position at Beginning of Period	--
<i>Net Position at End of Period</i>	<u>\$ --</u>

The Notes to the Financial Statements are an Integral Part of these Financial Statements

**Charter Township of Oscoda
Combining Statement of Net Position
Component Unit
December 31, 2022**

	<u>Local Development Finance Authority</u>
ASSETS	
<i>Current Assets</i>	
Cash and Investments	\$ 489,615
Property Taxes Receivable	208,459
<i>Total Current Assets</i>	<u>698,074</u>
DEFERRED INFLOWS OF RESOURCES	
Taxes Levied for a Subsequent Period	208,459
<i>Total Deferred Inflows of Resources</i>	<u>208,459</u>
NET POSITION	
<i>Unrestricted</i>	489,615
<i>Total Net Position</i>	<u>\$ 489,615</u>

The Notes to the Financial Statements are an Integral Part of these Financial Statements

**Charter Township of Oscoda
Combining Statement of Activities
Component Unit
For the Year Ended December 31, 2022**

	Local Development Finance Authority
Expenses	
Community and Economic Development	\$ 20,261
<i>Total Expenses</i>	<u>20,261</u>
<i>Net Program Revenues (Expenses)</i>	<u>(20,261)</u>
General Revenue	
Property Taxes	180,515
Interest Income	1,371
<i>Total General Revenues</i>	<u>181,886</u>
<i>Change in Net Position</i>	<u>161,625</u>
<i>Net Position at Beginning of Period</i>	<u>327,990</u>
<i>Net Position at End of Period</i>	<u>\$ 489,615</u>

The Notes to the Financial Statements are an Integral Part of these Financial Statements

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NOTES TO THE FINANCIAL STATEMENTS

Charter Township of Oscoda

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Oscoda (the “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:

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.

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.

Discretely Presented Component Unit

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

Governmental Activity and Fund Type Component Unit:

Oscoda-Wurtsmith Airport Local Development Finance Authority - The Local Development Finance Authority was established in 2013 and is under the supervision and control of the Charter Township of Oscoda pursuant to the Local Development Financing Act, Public Act 281 of 1989, as amended by Public Act 290 of 2012. The governing body of the Local Development Finance

Charter Township of Oscoda

Notes to the Financial Statements

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.

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, 2022 was \$26,464. 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

Charter Township of Oscoda

Notes to the Financial Statements

2011. The assets of the joint water supply system are the property of the Huron Shore Regional Utility Authority and, therefore, are not presented in these financial statements.

In 1995, the Township entered into a joint water and sewer system agreement for the purpose of constructing additions, extensions, improvements and related appurtenances to the Huron Shore Regional Utility Authority Water and Sewer System No. 1, with the Charter Township of AuSable, City of Tawas City and the Township of Baldwin. This bond was paid off in 2015. The assets of the joint water supply system are the property of the Huron Shore Regional Utility Authority and, therefore, are not presented in these financial statements. Each municipality makes an annual operation and maintenance contribution based on their proportionate share of the adopted annual budget. The Charter Township of Oscoda's contribution for the year ended December 31, 2022 was \$554,839. 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.

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.

Charter Township of Oscoda

Notes to the Financial Statements

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

Fund Financial Statements

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

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.

Charter Township of Oscoda

Notes to the Financial Statements

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

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

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

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:

Sewer 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 interfund transfers.

Fiduciary Funds

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

Charter Township of Oscoda

Notes to the Financial Statements

Measurement Focus

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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.

Charter Township of Oscoda

Notes to the Financial Statements

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.

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.

Charter Township of Oscoda

Notes to the Financial Statements

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.

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.

The entire \$43,823 balance for special assessments receivable is expected to be collected in the next fiscal year and is considered to be current.

The allowance for doubtful accounts at December 31, 2022 was \$0 for the primary government and the component unit.

Leases Receivable

The Township acts as a lessor for leases involving the right to use Township assets. As per GASB 87, the Township recognizes a lease receivable and a deferred inflow of resources in its government-wide and governmental fund financial statements.

Initially, the lease receivable is measured at the present value of expected lease payments over the lease term. The lease receivable is subsequently reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for prepaid lease payments received at lease inception. Over the lease term, the deferred inflow of resources is recognized as revenue.

Significant estimates and judgments involved include determining the discount rate used to present value lease receipts, determining the lease term, and estimating lease receipts. The Township utilizes its estimated incremental borrowing rate as the discount rate for leases. The lease term comprises the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable consist of fixed payments from the lessee.

Charter Township of Oscoda

Notes to the Financial Statements

The Township continually monitors changes that may necessitate a remeasurement of the lease receivable. If significant changes occur, the lease receivable will be remeasured accordingly.

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.

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.

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.

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.

Enterprise Fund Restricted Assets

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

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

Charter Township of Oscoda

Notes to the Financial Statements

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>Years</u>
Land Improvements	15-40
Buildings and Improvements	10-40
Machinery and Equipment	5-20
Vehicles	5-15
Infrastructure	5-50

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.

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.

Charter Township of Oscoda

Notes to the Financial Statements

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.

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.

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

Notes to the Financial Statements

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 - prepaid 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.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Township, these revenues are charges for services for water, sewer, campground, and park usage. Operating expenses are the necessary costs incurred to provide the

Charter Township of Oscoda

Notes to the Financial Statements

service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

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.

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 Superintendent 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.

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

Charter Township of Oscoda

Notes to the Financial Statements

relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – Budgetary Compliance

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. The approved budgets of the County were adopted on the activity level basis for the general fund and the functional basis for special revenue funds.

The County had the following expenditures in excess of the amounts appropriated during the year ended December 31, 2022:

<u>General Fund</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Fire Department	\$ 193,291	\$ 195,230	\$ (1,939)
<u>Police Fund</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Public Safety	\$ 1,539,955	\$ 1,547,929	\$ (7,974)

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Totals</u>
Statement of Net Position			
Cash and Investments	\$ 11,740,465	\$ 489,615	\$ 12,230,080
Restricted Cash	48,683	-	48,683
Statement of Fiduciary Net Position			
Cash and Investments	1,178,788	-	1,178,788
<i>Total Cash and Investments</i>	<u>\$ 12,967,936</u>	<u>\$ 489,615</u>	<u>\$ 13,457,551</u>
Cash and Investments			
Checking and Savings Accounts		\$	7,332,776
Michigan Class			2,493,015
Certificates of Deposit			3,631,235
Cash on Hand			525
<i>Total</i>		\$	<u>13,457,551</u>

Charter Township of Oscoda

Notes to the Financial Statements

As of December 31, 2022, the Township had the following investments:

	Certificates of Deposit	Michigan Class
No Maturity	\$ -	\$ 2,493,015
Due Within 1 Year	3,631,235	-
Total	\$ 3,631,235	\$ 2,493,015

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.

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, 2022, \$10,280,197 of the Township 's bank balance of \$11,280,197 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Deposits - Component Unit

In the case of deposits, this is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. As of December 31, 2022, \$489,615 of the Oscoda-Wurtsmith Airport Local Development Finance Authority 's bank balance of \$489,615 was exposed to custodial credit risk because it was uninsured and uncollateralized .

Concentration of Credit Risk

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

Charter Township of Oscoda

Notes to the Financial Statements

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

Foreign Currency Risk

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

Investments

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

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

Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase

Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

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

Fair Value Measurement

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used

Charter Township of Oscoda

Notes to the Financial Statements

to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Township has the following recurring fair value measurements as of December 31, 2022:

- Investments held with MICLASS totaled \$2,493,015. MICLASS is authorized to invest in the same investment types as local units of government in Michigan. These holdings are valued using Level 2 inputs.

NOTE 5 - LEASES RECEIVABLE

The Township is reporting total lease receivables of \$144,137 and deferred lease revenues of \$141,789 as of December 31, 2022. For fiscal year 2022, the Township reported lease revenue of \$11,816 and interest revenue of \$3,732 related to lease payments received.

The following describes the Township's leases receivable as of year-end:

AT&T Lease: On July 25, 2011 the Township entered into an agreement with Michigan Bell Telephone Company to use their water tower as a place to set up equipment. The lease is for 10 years with possible extensions through 2034. The Township expects to receive payments through December 31, 2034.

Charter Township of Oscoda

Notes to the Financial Statements

NOTE 5 - CAPITAL ASSETS

Capital asset activity of governmental activities for the fiscal year ended December 31, 2022 was as follows:

Governmental Activities:	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being Depreciated				
Construction in Progress	\$ 205,345	\$ 47,088	\$ -	\$ 252,433
Land	5,473,401	-	(91,293)	5,382,108
<i>Subtotal</i>	<u>5,678,746</u>	<u>47,088</u>	<u>(91,293)</u>	<u>5,634,541</u>
Capital Assets being depreciated				
Buildings and Improvements	5,441,228	-	(3,655,941)	1,785,287
Vehicles	2,423,141	93,207	-	2,516,348
Machinery and Equipment	1,095,701	29,400	-	1,125,101
Land Improvements	2,526,646	-	-	2,526,646
<i>Subtotal</i>	<u>11,486,716</u>	<u>122,607</u>	<u>(3,655,941)</u>	<u>7,953,382</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,493,911)	(89,613)	1,681,540	(901,984)
Vehicles	(1,557,449)	(142,732)	-	(1,700,181)
Machinery and Equipment	(754,650)	(78,543)	-	(833,193)
Land Improvements	(1,177,294)	(79,445)	-	(1,256,739)
<i>Subtotal</i>	<u>(5,983,304)</u>	<u>(390,333)</u>	<u>1,681,540</u>	<u>(4,692,097)</u>
Capital Assets being Depreciated, net	<u>5,503,412</u>	<u>(267,726)</u>	<u>(1,974,401)</u>	<u>3,261,285</u>
Governmental Activities Capital Assets, net	<u>\$ 11,182,158</u>	<u>\$ (220,638)</u>	<u>\$ (2,065,694)</u>	<u>\$ 8,895,826</u>

Depreciation expense was charged to programs for governmental activities as follows:

<u>Governmental Activities</u>	
General Government	\$ 35,847
Public Safety	142,420
Public Works	38,816
Community and Economic Development	101,016
Recreation and Culture	72,234
<i>Total Governmental Activities</i>	<u>\$ 390,333</u>

Charter Township of Oscoda

Notes to the Financial Statements

Capital asset activity of business-type activities for the fiscal year ended December 31, 2022 was as follows:

Business-type Activities:	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being Depreciated				
Construction in Progress	\$ 4,533,883	\$ 8,556,656	\$ -	\$ 13,090,539
Land	22,885	-	-	22,885
<i>Subtotal</i>	<u>4,556,768</u>	<u>8,556,656</u>	<u>-</u>	<u>13,113,424</u>
Capital Assets being depreciated				
Buildings and Improvements	362,285	-	-	362,285
Land Improvements	340,251	-	-	340,251
Machinery and Equipment	1,011,913	473,128	-	1,485,041
Infrastructure	14,972,252	-	-	14,972,252
<i>Subtotal</i>	<u>16,686,701</u>	<u>473,128</u>	<u>-</u>	<u>17,159,829</u>
Less Accumulated Depreciation				
Buildings and Improvements	(309,182)	(5,157)	-	(314,339)
Land Improvements	(107,956)	(16,907)	-	(124,863)
Machinery and Equipment	(758,104)	(99,629)	-	(857,733)
Infrastructure	(7,601,413)	(275,628)	-	(7,877,041)
<i>Subtotal</i>	<u>(8,776,655)</u>	<u>(397,321)</u>	<u>-</u>	<u>(9,173,976)</u>
Capital Assets being Depreciated, net	<u>7,910,046</u>	<u>75,807</u>	<u>-</u>	<u>7,985,853</u>
Business-type Activities Capital Assets, net	<u>\$ 12,466,814</u>	<u>\$ 8,632,463</u>	<u>\$ -</u>	<u>\$ 21,099,277</u>

Depreciation expense was charged to programs for business-type activities as follows:

<u>Business-type Activities</u>	
Sewer	\$ 204,555
Water	172,797
Old Orchard Park	19,969
Total Business-type Activities	<u>\$ 397,321</u>

NOTE 6 - UNEARNED REVENUE

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

General fund and governmental activities, unexpended grant funds: \$2,842

Old Orchard Park fund and business-type activities, user fees collected in advance: \$116,016

Charter Township of Oscoda
Notes to the Financial Statements

NOTE 7 - LONG-TERM LIABILITIES

The following schedule summarizes the changes in the Township's long-term debt during the year:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Long-term Portion
Governmental Activities						
Compensated Absences	\$ 126,638	\$ 25,010	\$ (1,173)	\$ 150,475	\$ 53,597	\$ 96,878
Business-type Activities						
Direct Borrowings or Placements						
Refunding Bonds, Series 2011 Limited Tax General Obligation	\$ 578,000	\$ -	\$ (180,000)	\$ 398,000	\$ 193,000	\$ 205,000
Capital Improvement Bonds, Series 2015A	1,425,183	-	(80,000)	1,345,183	80,000	1,265,183
Capital Improvement Bonds, Series 2015B	230,000	-	(55,000)	175,000	55,000	120,000
Capital Improvement Bonds, Series 2021A	1,012,638	385,786	(60,000)	1,338,424	65,000	1,273,424
Capital Improvement Bonds, Series 2021B	665,824	5,581,404	(1,810,000)	4,437,228	125,000	4,312,228
Total Direct Borrowings or Placements	3,911,645	5,967,190	(2,185,000)	7,693,835	518,000	7,175,835
Compensated Absences	15,319	1,109	(485)	15,943	7,507	8,436
Total Business-type Activities	3,926,964	5,968,299	(2,185,485)	7,709,778	525,507	7,184,271
Total Primary Government	\$ 4,053,602	\$ 5,993,309	\$ (2,186,658)	\$ 7,860,253	\$ 579,104	\$ 7,281,149

Detailed Long-term Debt Disclosures

Direct Borrowings - Primary Government:

2011 Sewage Disposal System Refunding Bonds

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

Capital Improvement Bond, Series 2015A

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

Charter Township of Oscoda

Notes to the Financial Statements

Capital Improvement Bond, Series 2015B

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

2021 State Revolving Fund Capital Improvement Bonds

2021 State Revolving Fund Capital Improvement Bonds, for up to \$6,760,000 were issued for water system improvements, with annual principal payments payable on April 1 ranging from \$165,000 to \$300,000, plus interest at 2.125%, through 2052. As of year-end, \$360,234 had been drawn down of the total available funds.

2021 Drinking Water Revolving Fund General Obligation Limited Tax Bonds

2021 Drinking Water Revolving Fund General Obligation Limited Tax Bonds, for up to \$1,485,000 were issued for water system improvements, with annual principal payments payable on October 1 ranging from \$60,000 to \$90,000, plus interest at 2.125%, through 2041. As of year-end, \$1,012,638 had been drawn down of the total available funds.

Charter Township of Oscoda

Notes to the Financial Statements

The following schedule summarizes long-term debt annual maturities:

Business-type Activities*			
Year	Principal	Interest	Total
2023	\$ 518,000	\$ 255,734	\$ 773,734
2024	580,000	202,345	782,345
2025	380,000	189,385	569,385
2026	330,000	180,483	510,483
2027	335,000	173,295	508,295
2028-2032	1,790,000	752,482	2,542,482
2033-2037	1,870,183	549,141	2,419,324
2038-2042	1,433,424	367,498	1,800,922
2043-2047	457,228	65,930	523,158
Totals	\$ 7,693,835	\$ 2,736,293	\$ 10,430,128

*Business-type activities include principal repayments for the DWRF and the CWSRF loans, but both bonds are actively being drawn upon for ongoing projects. Repayment schedules will be revised when the project and bond amounts are finalized.

Compensated Absences Payable

The Township has an accrued liability for accumulated vested vacation and sick leave benefits of its employees. As of December 31, 2022, the accumulated vested vacation and sick leave benefits of the employees of various Township departments were as stated above.

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 1 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls. For the December 1, 2021 levy, which is considered to be revenue for the 2022 fiscal year, the taxable value for properties located within the Township was \$313,451,457. The 2022 tax rates are currently 4.6908 mills for operating, .9000 for fire equipment, .0989 for seniors, .8000 for police, and .7000 for police staffing.

Charter Township of Oscoda

Notes to the Financial Statements

NOTE 9 - OPERATING TRANSFERS

During the year ended December 31, 2022, the following transfers were made:

Transfer In	Transfer Out	Amount
Police Fund	General Fund	\$ 1,201,988
Nonmajor Governmental Funds	General Fund	43,317
General Fund	Property Operation and Maintenance Fund	67,850
General Fund	Sewer Fund	45,000
General Fund	Old Orchard Park Fund	30,000
General Fund	Water Fund	45,000
Nonmajor Governmental Funds	Old Orchard Park Fund	140,000

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 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.

Charter Township of Oscoda

Notes to the Financial Statements

Benefits Provided

02 - Police: Open Division	
	2021 Valuation
Benefit Multiplier:	Bridged Benefit: 2.50% Multiplier (80% Max) Frozen FAC; 2.25% Multiplier (80% Max)
Bridged Benefit Date:	9/30/2016
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	25 & Out
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.5% (Non-Compound)
Employee Contributions:	7.00%
Act 88:	No

20 - Police Chief: Open Division	
	2021 Valuation
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, 2021 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	12
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	10
<i>Total employees covered by MERS</i>	35

Charter Township of Oscoda

Notes to the Financial Statements

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. Employees and the township contributed as shown below.

For the year ended December 31, 2022, the Township had the following contribution rates:

<u>Division</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>
02 - Police	7.00%	29.41%
20 - Police Chief	4.04%	\$2,150 / month

Net Pension Liability

The Township's net pension liability was measured as of December 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of December 31, 2021.

Actuarial Assumptions

The total pension liability in the December 31, 2022 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.00% plus merit and longevity: 3.00% in the long-term

Investment Rate of Return: 7.00%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 3.00-4.00%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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

Charter Township of Oscoda

Notes to the Financial Statements

class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global fixed income	20.00%	4.50%	0.90%	2.50%	0.40%
Private investments	20.00%	9.50%	1.90%	2.50%	1.40%
Totals	100.00%		7.00%		4.50%

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. 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 gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Charter Township of Oscoda

Notes to the Financial Statements

Changes in Net Pension Liability

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2021	\$ 5,314,612	\$ 3,529,269	\$ 1,785,343
Service cost	102,171	-	102,171
Interest	378,432	-	378,432
Difference between expected and actual experience	(93,985)	-	(93,985)
Change in assumptions	225,499	-	225,499
Contributions - Employer	-	263,248	(263,248)
Contributions - Employee	-	56,516	(56,516)
Net investment loss	-	(364,535)	364,535
Benefit payments, including refunds	(291,902)	(291,902)	-
Administrative expenses	-	(6,539)	6,539
Other changes	(12,914)	-	(12,914)
Net changes	307,301	(343,212)	650,513
Balance at December 31, 2022	\$ 5,621,913	\$ 3,186,057	\$ 2,435,856

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Township, calculated using the discount rate of 7.25%, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability of the Township	\$ 3,187,821	\$ 2,435,856	\$ 1,830,555

The current discount rate shown for GASB68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

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

For the year ended December 31, 2021 the Township recognized pension expense of \$573,300.

Charter Township of Oscoda

Notes to the Financial Statements

The Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 294,896	\$ -
Difference between expected and actual experience	47,440	62,657
Difference in assumptions	292,621	-
Total	\$ 634,957	\$ 62,657

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

Years Ending December 31,	Amount
2023	\$ 209,452
2024	154,606
2025	84,007
2026	124,235

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 \$81,354, which was 10% of its current-year covered payroll.

Charter Township of Oscoda

Notes to the Financial Statements

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

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 - RISK MANAGEMENT

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

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

NOTE 14 - 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, 2022, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the Township expects such amounts, if any, to be immaterial.

NOTE 15 - COMMITMENTS AND SUBSEQUENT EVENTS

The Township has been approved for a combined \$8,245,000 of state revolving loan fund bonds for water system improvements. As of December 31, 2021, \$7,645,652 of the bond funds have been used by the Township. An estimated \$599,348 of bonds are available to finance the remaining water system improvements for the Township.

Charter Township of Oscoda

Notes to the Financial Statements

NOTE 16 - RESTATEMENT

The following schedule summarizes the changes in fund balance and net position:

	<u>General Fund</u>	<u>Water Fund</u>
Fund Balance/Net Position - December 31, 2021, as Previously Reported	\$ 3,101,823	\$ 11,120,914
ARPA Revenue Reclassified from Unearned Revenue	317,042	
Reclassify Special Assessments	(43,822)	
Correct Due from Other Governments and Construction in Progress	-	179,960
Fund Balance/Net Position - December 31, 2021, as Restated	<u>\$ 3,375,043</u>	<u>\$ 11,300,874</u>

NOTE 17 - ADOPTION OF GASB STATEMENT NO. 87, *LEASES*

The Township adopted the provisions of GASB Statement No. 87, *Leases*, in the current year, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Detailed information can be found in Note 4 of these Notes to the Financial Statements.

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REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Oscoda
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Property Taxes	\$ 1,580,662	\$ 1,580,662	\$ 1,692,082	\$ 111,420
Special Assessments	70,000	70,000	50,841	(19,159)
Licenses and Permits	80,800	80,800	81,339	539
Intergovernmental	1,361,083	1,361,083	1,186,101	(174,982)
Charges for Services	420,425	420,425	562,223	141,798
Interest and Rentals	22,050	22,050	32,142	10,092
Other Revenue	17,675	17,675	101,335	83,660
Total Revenues	<u>3,552,695</u>	<u>3,552,695</u>	<u>3,706,063</u>	<u>153,368</u>
Other Financing Sources				
Sale of Capital Assets	5,000	5,000	68,555	63,555
Transfers In	187,850	187,850	187,850	--
Total Revenues and Other Financing Sources	<u>3,745,545</u>	<u>3,745,545</u>	<u>3,962,468</u>	<u>216,923</u>
Expenditures				
General Government				
Township Board	24,220	24,220	23,035	1,185
Supervisor	21,895	21,896	18,236	3,660
Superintendent	174,525	189,112	183,088	6,024
Clerk	180,596	184,314	170,186	14,128
Board of Review	4,275	4,275	1,995	2,280
Lakefront District	37,210	40,602	40,496	106
Treasurer	188,326	192,046	142,220	49,826
Assessor	200,000	199,999	195,219	4,780
Elections	39,700	39,701	38,361	1,340
Township Hall & Grounds	192,650	192,650	186,230	6,420
Cemetery	85,650	91,893	87,964	3,929
Other General Government	416,100	416,102	388,488	27,614
Total General Government	<u>1,565,147</u>	<u>1,596,810</u>	<u>1,475,518</u>	<u>121,292</u>
Public Safety				
Fire Department	178,455	193,291	195,230	(1,939)
Community and Economic Development				
Zoning and Planning	139,900	139,900	119,166	20,734
Recreation and Culture				
Parks and Recreation	458,115	458,114	175,991	282,123
Foote Site Park	13,721	13,721	5,863	7,858
Ken Ratliff Park	67,850	81,327	77,715	3,612
Recreation and Culture/Senior Center	31,000	31,000	--	31,000
General Fund Contingency	20,000	20,000	--	20,000
Total Recreation and Culture	<u>590,686</u>	<u>604,162</u>	<u>259,569</u>	<u>344,593</u>
Total Expenditures	<u>2,474,188</u>	<u>2,534,163</u>	<u>2,049,483</u>	<u>484,680</u>
Other Financing Uses				
Transfers Out	1,245,305	1,245,305	1,245,305	--
Total Expenditures and Other Financing Uses	<u>3,719,493</u>	<u>3,779,468</u>	<u>3,294,788</u>	<u>484,680</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>26,052</u>	<u>(33,923)</u>	<u>667,680</u>	<u>701,603</u>
Net Change in Fund Balance	<u>26,052</u>	<u>(33,923)</u>	<u>667,680</u>	<u>701,603</u>
<i>Fund Balance at Beginning of Period - as restated (Note 16)</i>	<u>3,375,043</u>	<u>3,375,043</u>	<u>3,375,043</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 3,401,095</u>	<u>\$ 3,341,120</u>	<u>\$ 4,042,723</u>	<u>\$ 701,603</u>

Charter Township of Oscoda
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Property Operation and Maintenance
For the Year Ended December 31, 2022

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Interest and Rentals	\$ 267,200	\$ 267,200	\$ 279,103	\$ 11,903
Other Revenue	2,000	2,000	90,545	88,545
Total Revenues	<u>269,200</u>	<u>269,200</u>	<u>369,648</u>	<u>100,448</u>
Other Financing Sources				
Sale of Capital Assets	--	--	492,417	492,417
Total Revenues and Other Financing Sources	<u>269,200</u>	<u>269,200</u>	<u>862,065</u>	<u>592,865</u>
Expenditures				
Community and Economic Development	693,123	693,126	494,511	198,615
Total Expenditures	<u>693,123</u>	<u>693,126</u>	<u>494,511</u>	<u>198,615</u>
Other Financing Uses				
Transfers Out	67,850	67,850	67,850	--
Total Expenditures and Other Financing Uses	<u>760,973</u>	<u>760,976</u>	<u>562,361</u>	<u>198,615</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(491,773)</u>	<u>(491,776)</u>	<u>299,704</u>	<u>791,480</u>
Net Change in Fund Balance	(491,773)	(491,776)	299,704	791,480
Fund Balance at Beginning of Period	<u>2,792,615</u>	<u>2,792,615</u>	<u>2,792,615</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 2,300,842</u>	<u>\$ 2,300,839</u>	<u>\$ 3,092,319</u>	<u>\$ 791,480</u>

Charter Township of Oscoda
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Police
For the Year Ended December 31, 2022

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 250,769	\$ 250,769	\$ 251,174	\$ 405
Intergovernmental	1,700	1,700	9,011	7,311
Fines and Forfeitures	1,300	1,300	5,431	4,131
Interest and Rentals	1,300	1,300	4,681	3,381
Other Revenue	9,300	9,300	14,215	4,915
Total Revenues	264,369	264,369	284,512	20,143
Other Financing Sources				
Transfers In	1,201,988	1,201,988	1,201,988	--
Total Revenues and Other Financing Sources	1,466,357	1,466,357	1,486,500	20,143
Expenditures				
Public Safety	1,466,357	1,539,955	1,547,929	(7,974)
Total Expenditures	1,466,357	1,539,955	1,547,929	(7,974)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	--	(73,598)	(61,429)	12,169
Net Change in Fund Balance	--	(73,598)	(61,429)	12,169
<i>Fund Balance at Beginning of Period</i>	<i>88,517</i>	<i>88,517</i>	<i>88,517</i>	<i>--</i>
Fund Balance at End of Period	\$ 88,517	\$ 14,919	\$ 27,088	\$ 12,169

Charter Township of Oscoda
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Eight Plan Years *

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service Cost	\$ 102,171	\$ 82,970	\$ 78,546	\$ 82,743	\$ 73,703	\$ 77,609	\$ 65,962	\$ 77,520
Interest	378,432	368,833	351,511	339,202	328,005	339,416	318,286	307,839
Changes in Benefits	-	-	-	-	(6,110)	(341,131)	-	-
Differences Between Expected and Actual Experience	(93,985)	18,368	153,025	31,401	22,163	60,026	69,639	-
Changes in Assumptions **	225,499	195,162	178,830	-	-	-	206,315	-
Benefit Payments, Including Refunds	(291,902)	(287,659)	(283,416)	(280,320)	(274,929)	(270,686)	(266,619)	(240,015)
Other Changes	(12,914)	(18,473)	(19,407)	(15,513)	(4,698)	(3,799)	(12,678)	357
Net Change in Pension Liability	307,301	359,201	459,089	157,513	138,134	(138,565)	380,905	145,701
<i>Total Pension Liability - Beginning</i>	<i>5,314,612</i>	<i>4,955,411</i>	<i>4,496,322</i>	<i>4,338,809</i>	<i>4,200,675</i>	<i>4,339,240</i>	<i>3,958,335</i>	<i>3,812,634</i>
Total Pension Liability - Ending (a)	\$ 5,621,913	\$ 5,314,612	\$ 4,955,411	\$ 4,496,322	\$ 4,338,809	\$ 4,200,675	\$ 4,339,240	\$ 3,958,335
Plan Fiduciary Net Position								
Contributions - Employer	\$ 263,248	\$ 234,718	\$ 184,546	\$ 174,801	\$ 139,052	\$ 146,491	\$ 117,485	\$ 125,215
Contributions - Member	56,516	51,557	44,191	45,060	37,008	30,844	24,770	25,904
Net Investment Income (Loss)	(364,535)	436,445	355,050	340,371	(104,452)	327,316	264,570	(36,992)
Benefit Payments, Including Refunds	(291,902)	(287,659)	(283,416)	(280,320)	(274,929)	(270,686)	(266,619)	(240,015)
Administrative Expenses	(6,539)	(5,007)	(5,611)	(5,861)	(5,233)	(5,188)	(5,226)	(5,416)
Net Change in Plan Fiduciary Net Position	(343,212)	430,054	294,760	274,051	(208,554)	228,777	134,980	(131,304)
<i>Plan Fiduciary Net Position - Beginning</i>	<i>3,529,269</i>	<i>3,099,215</i>	<i>2,804,455</i>	<i>2,530,404</i>	<i>2,738,958</i>	<i>2,510,181</i>	<i>2,375,201</i>	<i>2,506,505</i>
Plan Fiduciary Net Position - Ending (b)	\$ 3,186,057	\$ 3,529,269	\$ 3,099,215	\$ 2,804,455	\$ 2,530,404	\$ 2,738,958	\$ 2,510,181	\$ 2,375,201
Net Pension Liability - Ending (a) - (b)	\$ 2,435,856	\$ 1,785,343	\$ 1,856,196	\$ 1,691,867	\$ 1,808,405	\$ 1,461,717	\$ 1,829,059	\$ 1,583,134
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	56.7%	66.4%	62.5%	62.4%	58.3%	65.2%	57.8%	60.0%
Covered Payroll	\$ 807,372	\$ 736,530	\$ 605,653	\$ 569,253	\$ 517,398	\$ 495,390	\$ 435,057	\$ 529,984
Net Pension Liability as a Percentage of Covered Payroll	301.7%	242.4%	306.5%	297.2%	349.5%	295.1%	420.4%	298.7%

Notes to Schedule:

* Built prospectively upon implementation on GASB Statement No.68. An additional year will be added each year until ten years are presented.

**The following were significant changes to economic and demographic assumptions:

2015 valuation - The investment rate of return assumption was reduced from 8.25% to 8.0%, the wage inflation assumption was reduced from 4.50% to 3.75%, inflation rates changed from 3.0-4.0% to 3.25%, and the mortality assumption was updated to be based on the RP-2014 tables.

2019 valuation - The investment rate of return assumption was reduced from 8.00% to 7.60%, the wage inflation assumption was reduced from 3.75% to 3.00%.

2020 valuation - Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions.

2021 valuation - The investment rate of return assumption was reduced from 7.60% to 7.25%.

**Charter Township of Oscoda
Required Supplementary Information
Schedule of Contributions
Last Eight Calendar Years ***

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	263,248	234,718	184,546	174,801	134,788	136,440	\$ 117,485	\$ 125,215
Contributions in Relation to the Actuarially Determined Contribution	263,248	234,718	184,546	174,801	139,052	146,491	117,485	125,215
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ (4,264)	\$ (10,051)	\$ -	\$ -
Covered Payroll	807,372	736,530	605,653	569,253	517,398	495,390	435,057	529,984
Contributions as a Percentage of Covered Payroll	32.6%	31.9%	30.5%	30.7%	26.9%	29.6%	27.0%	23.6%

Notes

Valuation Date:

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of pay, open
Remaining amortization period	17 years
Asset valuation method	5-year smoothed
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.00%, Net of Investment Expense, including Inflation (7.75% for 2015 through 2019 and 7.35% for 2020 and 2021)
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Rates Used were Based on the Pub-2010 Group Annuity Mortality Table of a 50% Male and 50% Female Blend

* Built prospectively upon implementation on GASB Statement No.68. An additional year will be added each year until ten years are presented.

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OTHER SUPPLEMENTARY INFORMATION

Charter Township of Oscoda
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022

	Special Revenue							Total Nonmajor Governmental Funds
	Fire Department Equipment	Road Improvement	Forest Reserve	Police Staffing	Old Orchard Park Capital Improvement	Public Improvement	Drug Law Enforcement	Library
ASSETS								
Cash and Investments	\$ 836,165	\$ 49,210	\$ 55,564	\$ 41,726	\$ 136,054	\$ 132,701	\$ 3,405	\$ 103,692
Property Taxes Receivable	260,925	--	--	202,939	--	--	--	--
<i>Total Assets</i>	\$ 1,097,090	\$ 49,210	\$ 55,564	\$ 244,665	\$ 136,054	\$ 132,701	\$ 3,405	\$ 103,692
LIABILITIES								
Accounts Payable	\$ 709	\$ --	\$ --	\$ --	\$ 13,883	\$ --	\$ --	\$ 495
Accrued Liabilities	--	--	--	12,667	--	--	--	2,749
<i>Total Liabilities</i>	709	--	--	12,667	13,883	--	--	3,244
DEFERRED INFLOWS OF RESOURCES								
Taxes Levied for a Subsequent Period	297,158	--	--	231,118	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	297,867	--	--	243,785	13,883	--	--	3,244
FUND BALANCE								
Restricted	799,223	49,210	55,564	880	--	132,701	3,405	100,448
Committed	--	--	--	--	122,171	--	--	--
Unassigned	--	--	--	--	--	--	--	--
<i>Total Fund Balance</i>	799,223	49,210	55,564	880	122,171	132,701	3,405	100,448
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 1,097,090	\$ 49,210	\$ 55,564	\$ 244,665	\$ 136,054	\$ 132,701	\$ 3,405	\$ 103,692

Charter Township of Oscoda
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2022

	Special Revenue								Total Nonmajor Governmental Funds
	Fire Department Equipment	Road Improvement	Forest Reserve	Police Staffing	Old Orchard Park Capital Improvement	Public Improvement	Drug Law Enforcement	Library	
Revenues									
Property Taxes	\$ 282,609	\$ --	\$ --	\$ 219,773	\$ --	\$ --	\$ --	\$ --	\$ 502,382
Intergovernmental	--	--	11,427	--	--	--	--	--	11,427
Charges for Services	15,452	9,051	--	--	--	7,000	--	109,263	140,766
Fines and Forfeitures	--	--	--	--	--	--	281	--	281
Interest and Rentals	4,288	869	254	839	352	513	9	795	7,919
Other Revenue	--	--	--	--	--	--	--	543	543
Total Revenues	302,349	9,920	11,681	220,612	352	7,513	290	110,601	663,318
Expenditures									
Public Safety	113,150	--	--	282,869	--	--	--	--	396,019
Public Works	--	24,169	--	--	--	--	--	--	24,169
Recreation and Culture	--	--	--	--	127,650	--	--	119,090	246,740
Total Expenditures	113,150	24,169	--	282,869	127,650	--	--	119,090	666,928
Excess of Revenues Over (Under) Expenditures	189,199	(14,249)	11,681	(62,257)	(127,298)	7,513	290	(8,489)	(3,610)
Other Financing Sources (Uses)									
Transfers In	--	--	--	43,317	140,000	--	--	--	183,317
Net Other Financing Sources (Uses)	--	--	--	43,317	140,000	--	--	--	183,317
Net Change in Fund Balance	189,199	(14,249)	11,681	(18,940)	12,702	7,513	290	(8,489)	179,707
Fund Balance at Beginning of Period	610,024	63,459	43,883	19,820	109,469	125,188	3,115	108,937	1,083,895
Fund Balance at End of Period	\$ 799,223	\$ 49,210	\$ 55,564	\$ 880	\$ 122,171	\$ 132,701	\$ 3,405	\$ 100,448	\$ 1,263,602

**Charter Township of Oscoda
Combining Statement of Fiduciary Net Position
Custodial Funds
December 31, 2022**

	<u>Trailer Tax Fund</u>	<u>Tax Collection</u>	<u>Total</u>
ASSETS			
Cash and Investments	\$ 363	\$ 1,178,425	\$ 1,178,788
<i>Total Assets</i>	<u>363</u>	<u>1,178,425</u>	<u>1,178,788</u>
LIABILITIES			
Due to Other Governments	363	1,178,425	1,178,788
<i>Total Liabilities</i>	<u>363</u>	<u>1,178,425</u>	<u>1,178,788</u>
NET POSITION			
Restricted for individuals, organizations and other governments	\$ --	\$ --	\$ --
	<u> </u>	<u> </u>	<u> </u>

**Charter Township of Oscoda
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2022**

	<u>Trailer Tax Fund</u>	<u>Tax Collection</u>	<u>Total</u>
Additions			
Taxes Collected for Other Governments	\$ 4,076	\$ 8,536,694	\$ 8,540,770
<i>Total Additions</i>	<u>4,076</u>	<u>8,536,694</u>	<u>8,540,770</u>
Deductions			
Payments of Property Taxes to Other Governments	4,076	8,536,694	8,540,770
<i>Total Deductions</i>	<u>4,076</u>	<u>8,536,694</u>	<u>8,540,770</u>
<i>Change in Net Position</i>	--	--	--
Net Position at Beginning of Period	--	--	--
<i>Net Position at End of Period</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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**CHARTER TOWNSHIP OF OSCODA, MICHIGAN
SINGLE AUDIT ACT COMPLIANCE
YEAR ENDED DECEMBER 31, 2022**

**Charter Township of Oscoda
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal/Pass-through Grantor Program Title	Assistance Listing Number	Pass-through Grantor Number	Federal Expenditures
U.S. Department of Treasury			
<i>Direct Award</i>			
COVID-19 American Rescue Plan Act (ARPA)	21.027	N/A	\$ 354,042
<i>Passed through the Michigan Department of Environment, Great Lakes, and Energy</i>			
COVID-19 American Rescue Plan Act (ARPA)	21.027	N/A	2,412,447
Total U.S. Department of Treasury			<u>2,766,489</u>
U.S. Environmental Protection Agency			
<i>Passed through the Michigan Department of Environment, Great Lakes, and Energy</i>			
<i>Clean Water State Revolving Fund Cluster</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	N/A	3,836,490
Total U.S. Environmental Protection Agency			<u>3,836,490</u>
Total Expenditures of Federal Awards			<u>\$ 6,602,979</u>

Charter Township of Oscoda

Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Charter Township of Oscoda (the "Township") under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Township, it is not intended to and does not present the financial position, changes in net position or cash flows of the Township.

The Township's reporting entity is defined in Note 1 of the Township's Audited Financial Statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Township's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the Township has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

NOTE 3 - RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the federal activity from the basic financial statements with the federal expenditures in the Schedule:

State and federal sources reported in the governmental funds

Business-type activities, water fund - Capital contributions (federal grant)	\$ 2,412,447
Governmental funds - intergovernmental revenues	1,206,539
Subtract state sources:	<u>(852,497)</u>
<i>Total federal sources reported in the governmental funds</i>	<u>2,766,489</u>

Business-type activities loan activity

State revolving loan funds, federal portion	<u>3,836,490</u>
<i>Total loans, federal portion</i>	<u>3,836,490</u>
<i>Total federal expenditures reported in the Schedule:</i>	<u>\$ 6,602,979</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

To the Board of Trustees
Charter Township of Oscoda, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Oscoda (the "Township"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township'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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022-003.

The Township's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Township's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Township's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Gabridge & Company, PLC
Grand Rapids, MI
June 30, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE

To the Board of Trustees
Charter Township of Oscoda, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Charter Township of Oscoda's (the "Township") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Township's major federal programs for the year ended December 31, 2022. The Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Township complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Township and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Township's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Township's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Township's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Township's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Township's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Township's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Township's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Township's response was not

subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Gabridge & Company, PLC
Grand Rapids, MI
June 30, 2023

**Charter Township of Oscoda
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal controls over financial reporting

Material weaknesses identified? Yes

Significant deficiencies identified not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs

Material weaknesses identified? No

Significant deficiencies identified not considered to be material weaknesses? No

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of Major Programs

Name of Federal Program or Cluster	Assistance Listing Number
Capitalization Grants for Clean Water State Revolving Funds	66.458
Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between Type A and B programs? \$750,000

Auditee qualified as a low-risk auditee? No

SECTION II - FINANCIAL STATEMENT FINDINGS

See items 2022-001 and 2022-002 on the following pages

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See item 2022-003 on the following page.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

Items 2022-001 and 2022-002 were both repeat findings, see the following pages

Charter Township of Oscoda

SECTION II - FINANCIAL STATEMENT FINDINGS

2022-001 - Preparation of Governmental Financial Statements and Material Audit Adjustments (repeat finding)

Finding Type: Material weakness over financial reporting.

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (e.g., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (e.g., external financial reporting.) Further, The Uniform Guidance, §200.510, requires that a recipient of federal awards subject to a single audit "prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements, which must include the total Federal awards expended as determined in accordance with §200.502."

Condition/Finding: As is the case with many smaller and medium sized entities, the Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements, the schedule of expenditures of federal awards, and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP and the Uniform Guidance is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Township's internal controls.

Additionally, we prepared, and management approved of, material adjustments to the Township's general ledger.

Cause: This condition was caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

Effect: As a result of this condition, the Township lacks complete internal controls over the preparation of financial statements and schedule of expenditures of federal awards in accordance with GAAP and the Uniform Guidance, and instead relies, at least in part, on its external auditors for assistance with these tasks. In addition, the Township's records were initially misstated by an amount material to the financial statements.

Questioned Costs: No costs have been questioned as a result of this finding.

Charter Township of Oscoda

SECTION II - FINANCIAL STATEMENT FINDINGS

Recommendation The Township should evaluate the process currently used to identify and record adjustments to the general ledger at year-end. Additional controls or modification to the existing controls may be necessary. Correctly identifying and recording accruals will lead to: 1) management making fewer modifications to the general ledger during the audit process and 2) the Township Council being provided with more accurate and timely financial information.

View of Responsible Officials: See corrective action plan.

2022-002 - Segregation of Incompatible Duties (repeat finding)

Finding Type: Material weakness over financial reporting.

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the Township. A key element of internal control is the segregation of incompatible duties within the accounting function.

Condition/Finding: The Township has accounting functions which are performed by the same individual and are not subject to a documented independent review and approval. These areas include cash reconciliation, payroll, accounts receivable transactions, journal entries, billing adjustments, and accounts payable transactions.

Cause: This condition is a result of the limited size of the Township's accounting staff.

Effect: As a result of this condition, the Township is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected and corrected by management on a timely basis.

Recommendation: While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

Questioned Costs: No costs have been questioned as a result of this finding.

View of Responsible Officials: See corrective action plan.

Charter Township of Oscoda

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2022-003 - Written Policies Required by the Uniform Grant Guidance

Finding Type: Immaterial Noncompliance

Programs: Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing Number 21.027) and Capitalization Grants for Clean Water State Revolving Funds (Assistance Listing Number 66.458)

Criteria: The Uniform Guidance requires a non-federal entity that has expended federal awards for a grant awarded on or after December 26, 2014, to have written policies pertaining to allowability of costs charged to federal programs, controlled activities over allowable costs and allowable activities, cash management, financial management, procurement, compensation/payroll, travel costs, and relocation cost of employees (§200.300 - 328)).

Condition/Finding: Although the Township has processes in place to cover these areas, the Township lacks formal written policies covering these areas.

Cause: This condition appears to be the result of a time lag in identifying the requirement and developing a plan for compliance.

Effect: As a result of this condition, the Township did not fully comply with the Uniform Guidance applicable to the above noted grants.

Questioned Costs: No costs have been questioned as a result of this finding.

Repeat Finding: No

Recommendation: We recommend that the Township ensures these policies are updated to conform with the Uniform Guidance as soon as practical, but no later than the end of fiscal year 2023.

View of Responsible
Officials

(Corrective Action): See corrective action plan.

June 30, 2023

To the Board of Trustees
Charter Township of Oscoda, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Oscoda, Michigan (the "Township") for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 16, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. There were no new accounting policies adopted and, except as stated in Note 17 to the financial statements, the application of existing policies was not changed during the fiscal year ended 2022. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's assumptions used to calculate the actuarial report and the net present value of pension benefits.

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 corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 30, 2023.

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 Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison schedules, and the schedules for the pension benefit plan, which are required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor and fiduciary fund financial statements and the schedule of expenditures of federal awards, 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.

Restriction on Use

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

Very truly yours,

A handwritten signature in dark ink that reads "Gabridge & Company". The signature is written in a cursive, flowing style.

Gabridge & Company, PLC
Grand Rapids, MI