

**THE CHARTER
TOWNSHIP OF ALPENA**

Audited Financial Statements

Year Ended March 31, 2021

STRALEY LAMP & KRAENZLEIN P.C.

The Charter Township of Alpena

Board of Trustees

Supervisor

Nathan Skibbe

Clerk

Michele Palevich

Treasurer

Laura Ellery-Somers

Trustee

Norman Poli

Trustee

Steven Lappan

Trustee

Cash Kroll

Trustee

Russ Rhynard

Independent Auditors

Straley Lamp & Kraenzlein P.C.

Legal Counsel

Gillard, Bauer, Mazrum, Florip, Smigelski & Gulden
Fahey, Schultz, Burzych, Rhodes

CONTENTS

	<u>Page</u>
Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	14
Reconciliation of Total Governmental Fund	
Balances of Net Position of Governmental Activities	15
Statement of Revenues, Expenditures, and Changes	
in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures,	
and Changes in Fund Balances to the Statement of Activities	17
Proprietary Fund	
Statement of Net Position	18
Statement of Revenues, Expenses and Changes in Net Position	19
Statement of Cash Flows	20
Fiduciary Fund	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to Financial Statements	24
Required Supplemental Information	
Budgetary Comparison Schedule	
Statement of Revenues, Expenditures and	
Changes in Fund Balances – Budget and Actual – Major Funds	41

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
The Charter Township of Alpena
Alpena Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Charter Township of Alpena, Michigan (the Township), as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and qualified audit opinions.

Summary of Opinions

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

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

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

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Business-Type Activities and Business-Type Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and business-type fund of The Charter Township of Alpena, Michigan, as of March 31, 2021, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund other than the business-type fund, and the aggregate remaining fund information of The Charter Township of Alpena, Michigan, as of March 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical contexts. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedure does not provide us with sufficient evidence to express an opinion or provide any assurance.

Straley Lamp & Kraenzlein P.C.

Alpena, Michigan
September 21, 2021

The Charter Township of Alpena

Management's Discussion and Analysis

As management of The Charter Township of Alpena (the "Township") we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2021. Please read it in conjunction with the Township's financial statements.

Financial Highlights

- The Township's total net position increased \$161,033 as a result of this year's operations.
- The Township assets of \$17,458,249 exceeded its liabilities and deferred inflows of resources of \$6,218,760 by \$11,239,489.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$1,100,009, which represents 75% of the actual total General Fund expenditures and other financing uses for the fiscal year.
- The Township's Water and Sewer Fund net position decreased \$305,349. Revenues and expenses remained relatively consistent with the prior year, increasing \$39,974 and \$14,759, respectively.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Township of Alpena that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township of Alpena include general government, public safety, public works, social services, recreation and cultural, and interest on long-term debt.

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

The Charter Township of Alpena

Management's Discussion and Analysis

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

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

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

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

Proprietary funds. The Township maintains one proprietary fund, an enterprise fund, for the water and sewer activities. The Township utilizes an *Enterprise fund* to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for the General Fund and major governmental fund budget comparisons.

The Charter Township of Alpena

Management's Discussion and Analysis

Financial Analysis of The Township as A Whole

Summary of net position:

	Governmental activities		Business-type activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$2,250,677	\$1,884,296	\$ 6,105,207	\$ 6,511,138	\$ 8,355,884	\$ 8,395,434
Capital assets, net of depreciation	2,516,703	2,582,904	6,585,662	6,782,845	9,102,365	9,365,749
Total assets	4,767,380	4,467,200	12,690,869	13,293,983	17,458,249	17,761,183
Current liabilities	398,817	495,204	4,314,631	4,355,390	4,713,448	4,850,594
Non-current liabilities	73,142	111,895	790,593	988,712	863,735	1,100,607
			(36,161)	(36,161)	37,027	
Total liabilities	471,959	607,099	5,069,063	5,307,941	5,614,210	5,951,201
Deferred inflows of resources	50,588	81,650	590,989	649,876	641,577	731,526
Net position:						
Net investment in capital assets	2,404,807	2,283,957	5,595,069	5,594,133	7,999,876	7,878,090
Restricted	291,428	281,587	-	-	291,428	281,587
Unrestricted	1,548,598	1,212,907	1,399,587	1,705,872	2,948,185	2,918,779
	\$4,244,833	\$3,778,451	\$ 6,994,656	\$ 7,300,005	\$ 11,239,489	\$ 11,078,456

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The total net position at the end of the fiscal year was \$11,239,489. Of this total, \$7,999,876 (71%) is invested in capital assets (e.g., land, buildings and equipment); less any outstanding debt used to acquire those assets. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional \$291,428 (3%) represents resources that have restrictions on how they may be used. The remaining portion of net position is unrestricted net position with a balance of \$2,948,185 (26%) at March 31, 2021.

The Charter Township of Alpena

Management's Discussion and Analysis

Summary of Changes in Net Position:

	Governmental activities		Business-type activities		Totals	
	2021	2020	2021	2020	2021	2020
Program revenues:						
Charges for services	\$ 586,294	\$ 765,402	\$ 2,449,076	\$ 2,422,757	\$ 3,035,370	\$ 3,188,159
Operating grants and contributions	86,957	-	-	-	86,957	-
General revenues:						
North Pointe Shores Road	1,140,120	1,107,665	-	-	1,140,120	1,107,665
State share revenue	846,083	879,996	-	-	846,083	879,996
Investment income	13,396	10,091	9,837	18,074	23,233	28,165
Other taxes	34,087	24,850	189,953	167,080	224,040	191,930
Proceeds from loss recoveries	-	-	(36,161)	(36,161)	37,027	(36,161)
Miscellaneous	67	2,150	-	-	67	2,150
Gain on sale of asset	-	-	(981)	-	(981)	-
Total revenues	2,707,004	2,790,154	2,611,724	2,571,750	5,318,728	5,361,904
Expenses:						
General government	774,242	805,115	-	-	774,242	805,115
Public safety	1,188,191	1,352,494	-	-	1,188,191	1,352,494
Public works	193,519	301,264	2,953,234	2,928,019	3,146,753	3,229,283
Health and welfare	54,401	41,366	-	-	54,401	41,366
Recreation and culture	24,226	15,588	-	-	24,226	15,588
Interest on long-term debt	6,043	3,567	-	-	6,043	3,567
Total expenses	2,240,622	2,519,394	2,953,234	2,928,019	5,193,856	5,447,413
Changes in position	466,382	270,760	(341,510)	(356,269)	124,872	(85,509)
Net position - beginning of the year	3,778,451	3,507,691	7,300,005	7,620,113	11,078,456	11,127,804
Net position - end of the year	<u>\$ 4,244,833</u>	<u>\$ 3,778,451</u>	<u>\$ 6,958,495</u>	<u>\$ 7,263,844</u>	<u>\$ 11,203,328</u>	<u>\$ 11,042,295</u>

Governmental activities

Governmental activities increased the Township's net position by \$466,382 in 2021 compared to a \$270,760 in 2020. Revenue remained relatively consistent with 2020 amounts, with an overall decrease of \$83,150. The overall decrease was primarily due to the decrease in charges for services of \$179,108 and an increase in operating grants and contributions of \$86,957. Total governmental expenses were \$278,772 less in 2021 compared to 2020. The difference is primarily due to a decrease of \$164,303 in public safety expenses and a \$107,745 decrease in public works expenses.

The total cost of governmental activities this year was \$2,240,622. After subtracting the direct charges to those who directly benefited from the programs of \$586,294, the "public benefit" portion covered by property taxes, state revenue sharing, and other revenues was \$1,654,328 in 2021.

Business type activities

The net position of the Township's business-type activities decreased by \$305,349 in 2021 compared to a \$320,108 decrease in 2020. Both revenue and expenses were relatively consistent in 2021, increasing from the 2020 amounts by \$39,974 and \$25,215, respectively.

The Charter Township of Alpena

Management's Discussion and Analysis

Financial Analysis of The Township's Funds

At March 31, 2021, the Township's governmental funds reported a combined fund balance of \$1,857,475, an increase of \$328,626 over the prior year. As of March 31, 2021, there was total of \$1,100,009 (59%) of fund balance that constitutes as unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is categorized as follows: \$291,428 (16%) is restricted to indicate that it is for a specific purpose of the fund, \$466,038 (25%) was committed by a board of trustees action.

The General Fund's fund balance increased \$239,271 from the prior year. Overall revenues increased slightly by \$9,019 over the prior year, with most revenues remaining consistent with the prior year. There was a decrease of \$33,913 in state revenue and an increase of \$12,646 in charges for services, with other revenue line items staying relatively consistent with the prior year. Overall expenditures decreased \$138,183. This was mainly attributable to a large decrease of \$107,745 in public works, which was a result of decreased contributions to the Alpena County Road Commission for various road projects within the Township. Other financing sources, which consists of a transfer to the public safety fund decreased \$107,149 from the prior fiscal year.

General Fund Budgetary Highlights

Actual revenues exceeded the budget by \$148,044. The majority of this was due to state revenue exceeding the budget by \$128,333, charges for services exceeding the budget by \$92,745, and licenses and permits and special assessment income falling short of budgeted amounts by \$34,410 and \$22,413, respectively. State revenue was decreased from the original budget to the amended budget by about \$147,000. There were no other revenue budget amendments.

Overall expenditures were \$167,201 less than budgeted. The majority of the expenditure budget amendments were not significant other than one amendment for buildings and grounds, a general government function, where the original budget was decreased by \$65,000. See Note 2 to the financial statements for further information related to the budget.

Capital Assets and Debt Administration

Capital assets

At March 31, 2021, the Township had invested, net of depreciation, in various capital assets, including its land, buildings, equipment, and infrastructure. The Township's net investment in capital assets amounted to \$9,102,365 at March 31, 2021. During the year ended March 31, 2021 the Township had an overall decrease of \$66,201 in governmental activities and \$177,702 in business type activities, as a result of capital asset depreciation exceeding additions.

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

Debt administration

At the end of the fiscal year, the Township had total debt outstanding in the amount of \$1,136,156 a decrease of \$428,491.

Long-term debt obligations consisted of a liability for compensated absences of \$24,260, water project bond of \$1,000,000, installment loan of \$110,169 and a capital copier lease of \$1,727.

The Charter Township of Alpena

Management's Discussion and Analysis

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

Economic Factors and Next Year's Budgets And Rates

As the Township moves into fiscal year 2021-2022 the Township will continue to monitor and improve the internal control structure. Now that the Township is on the fifth year of utilizing the BS&A accounting software, there have been tremendous improvements in utilizing the system which will continue into the new fiscal year. We have also expanded the modules within the BS&A software to include both special assessments and delinquent personal property to best track revenue streams.

The Township is expecting to see an increase of approximately \$10,000,000 in taxable values on which a millage (1.0136 mills) is assessed; this figure does not take into effect a sizable increase in new construction which will lead to an increase in property tax revenue. The Township's CPI has dropped below 1 (.9995) which will have a negative impact on our millage rate (1.0130) starting in 2022. The Public Safety Fund is into its third year of 1.5 mills for operating and .65 mills for equipment (the equipment millage terminate in two years). The Township's Board continues to improve the budget and work through quarterly budget amendments. This will improve the budget and transparency for the citizens of the Township. State revenue funds have remained consistent through the ongoing pandemic. The Township anticipates receiving \$915,536 through the Coronavirus Local Fiscal Recovery Fund (CLFRF) which is part of the American Rescue Plan Act (ARPA).

Contacting the Township's Financial Management

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

The Charter Township of Alpena

Township Clerk
4385 US 23 North
Alpena, MI 49707

This page left blank

BASIC FINANCIAL STATEMENTS

The Charter Township of Alpena

Statement of Net Position

March 31, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,895,858	\$ 1,107,001	\$ 3,002,859
Restricted cash	-	3,956,253	3,956,253
Accounts receivable	5,415	98,376	103,791
Unbilled receivables	-	360,603	360,603
Due from other governments	123,290	-	123,290
Special assessments receivable	76,592	162,500	239,092
Internal balances	8,015	(8,015)	-
Noncurrent assets:			
Special assessments receivable	141,507	428,489	569,996
Capital assets not being depreciated	2,002,111	17,030	2,019,141
Capital assets being depreciated, net	514,592	6,568,632	7,083,224
	4,767,380	12,690,869	17,458,249
Liabilities			
Accounts payable	29,778	128,823	158,601
Accrued liabilities	61,939	7,422	69,361
Accrued interest payable	-	16,667	16,667
Due to other governments	246,612	-	246,612
Other claims (Note 11)	-	3,959,193	3,959,193
Noncurrent liabilities:			
Due within one year			
Bonds and loans payable	38,754	200,000	238,754
Compensated absences	21,734	2,526	24,260
Due in more than one year			
Bonds and loans payable	73,142	790,593	863,735
	471,959	5,105,224	5,577,183
Deferred Inflows of Resources			
Unavailable revenue - special assessments	50,588	590,989	641,577
Net Position			
Net investment in capital assets	2,404,807	5,595,069	7,999,876
Restricted for:			
Fire equipment	259,815	-	259,815
North Pointe Shores Road	31,613	-	31,613
Unrestricted	1,548,598	1,399,587	2,948,185
	\$ 4,244,833	\$ 6,994,656	\$ 11,239,489

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

The Charter Township of Alpena

Statement of Activities

For the Year Ended March 31, 2021

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Functions/Programs:			
Primary Government:			
Governmental activities			
General government	\$ 774,242	\$ 396,778	\$ 8,299
Public safety	1,188,191	151,321	78,658
Public works	193,519	38,195	-
Health and welfare	54,401	-	-
Recreation and culture	24,226	-	-
Interest on long-term debt	6,043	-	-
Total governmental activities	2,240,622	586,294	86,957
Business-type activities:			
Water and sewer	2,953,234	2,449,076	-
Total business-type activities	2,953,234	2,449,076	-
Total primary government	<u>\$ 5,193,856</u>	<u>\$ 3,035,370</u>	<u>\$ 86,957</u>
		General revenues: Property taxes State shared revenue Investment earnings Other taxes and assessments Other miscellaneous income Gain (loss) on sale of capital assets Total general revenues	
		Change in net position	
		Net position, beginning of the year	
		Net position, end of the year	

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (369,165)	\$ -	\$ (369,165)
(958,212)	-	(958,212)
(155,324)	-	(155,324)
(54,401)	-	(54,401)
(24,226)	-	(24,226)
(6,043)	-	(6,043)
<u>(1,567,371)</u>	<u>-</u>	<u>(1,567,371)</u>
-	(504,158)	(504,158)
-	(504,158)	(504,158)
<u>(1,567,371)</u>	<u>(504,158)</u>	<u>(2,071,529)</u>
1,140,120	-	1,140,120
846,083	-	846,083
13,396	9,837	23,233
34,087	189,953	224,040
67	-	67
-	(981)	(981)
<u>2,033,753</u>	<u>198,809</u>	<u>2,233,543</u>
466,382	(305,349)	161,033
<u>3,778,451</u>	<u>7,300,005</u>	<u>11,078,456</u>
<u>\$ 4,244,833</u>	<u>\$ 6,994,656</u>	<u>\$ 11,239,489</u>

The Charter Township of Alpena

Governmental Funds -
Balance Sheet

March 31, 2021

	<u>General Fund</u>	<u>Public Safety</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,114,729	\$ 781,129	\$ 1,895,858
Accounts receivable, net	1,000	4,415	5,415
Special assessment receivable	218,099	-	218,099
Due from other governments	123,290	-	123,290
Due from other funds	38,672	313	38,985
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,495,790</u>	<u>\$ 785,857</u>	<u>\$ 2,281,647</u>
Liabilities			
Accounts payable	\$ 27,736	\$ 2,042	\$ 29,778
Accrued liabilities	38,919	23,020	61,939
Due to other funds	313	30,657	30,970
Due to other governments	246,612	-	246,612
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>313,580</u>	<u>55,719</u>	<u>369,299</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	50,588	4,285	54,873
	<u> </u>	<u> </u>	<u> </u>
Fund Balances			
Restricted	31,613	259,815	291,428
Committed	-	466,038	466,038
Unassigned	1,100,009	-	1,100,009
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,131,622</u>	<u>725,853</u>	<u>1,857,475</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,495,790</u>	<u>\$ 785,857</u>	<u>\$ 2,281,647</u>

The Charter Township of Alpena

Governmental Funds - Reconciliation of the Balance Sheet to the Statement of Net Position

March 31, 2021

Fund balances - total governmental funds		\$ 1,857,475
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.		
Governmental capital assets	\$ 4,935,335	
Less accumulated depreciation	<u>(2,418,632)</u>	
		2,516,703
Unavailable revenue - the governmental funds are susceptible to full accrual on the Statement of Net Position		
Unavailable revenue - nonemergency transfers		4,285
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Notes payable	(111,896)	
Compensated absences	<u>(21,734)</u>	
		<u>(133,630)</u>
Total net position - governmental activities		<u>\$ 4,244,833</u>

The Charter Township of Alpena

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

For the Year Ended March 31, 2021

	<u>General Fund</u>	<u>Public Safety</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 362,063	\$ 759,111	\$ 1,121,174
Other taxes	16,617	-	16,617
Special assessment income	34,087	-	34,087
Licenses and permits	124,490	-	124,490
Federal revenue	8,299	68,908	77,207
State revenue	846,083	-	846,083
Other intergovernmental revenue	-	9,750	9,750
Charges for services	270,345	173,553	443,898
Investment income	6,876	6,520	13,396
Special assessment income	38,195	-	38,195
Other revenue	4,339	-	4,339
	<u>1,711,394</u>	<u>1,017,842</u>	<u>2,729,236</u>
Expenditures			
Current			
General government	769,372	-	769,372
Public safety	189,836	1,127,051	1,316,887
Public works	193,519	-	193,519
Health and welfare	54,401	-	54,401
Recreation and culture	24,226	-	24,226
Debt service			
Principal	-	35,367	35,367
Interest	-	6,838	6,838
	<u>1,231,354</u>	<u>1,169,256</u>	<u>2,400,610</u>
Other Financing Sources (Uses)			
Transfers in	-	240,769	240,769
Transfers out	<u>(240,769)</u>	<u>-</u>	<u>(240,769)</u>
	<u>(240,769)</u>	<u>240,769</u>	<u>-</u>
Net Change in Fund Balances	239,271	89,355	328,626
Fund Balance, beginning of the year	<u>892,351</u>	<u>636,498</u>	<u>1,528,849</u>
Fund Balance, end of the year	<u>\$ 1,131,622</u>	<u>\$ 725,853</u>	<u>\$ 1,857,475</u>

The Charter Township of Alpena

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

For the Year Ended March 31, 2021

Net change in fund balances - Total governmental funds \$ 328,626

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

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

Depreciation Expense	\$ (125,728)	
Capital Outlay	<u>59,527</u>	
		(66,201)

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

Unavailable revenue		(22,233)
---------------------	--	----------

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

Principal payments on long-term debt	187,051	
Change in accrued interest payable	4,241	
Change in long-term compensated absences	<u>34,898</u>	
		<u>226,190</u>

Change in net position of governmental activities		<u><u>\$ 466,382</u></u>
---	--	--------------------------

The Charter Township of Alpena

Proprietary Fund - Statement of Net Position

March 31, 2021

	<u>Water and Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 1,107,001
Restricted cash	3,956,253
Accounts receivable	98,376
Unbilled receivables	360,603
Special assessments receivable	162,500
Due from other funds	25,000
Total current assets	<u>5,709,733</u>
Noncurrent assets	
Capital assets not being depreciated	17,030
Capital assets being depreciated, net	6,568,632
Special assessments receivable	428,489
Total noncurrent assets	<u>7,014,151</u>
Total assets	<u>12,723,884</u>
Liabilities	
Current liabilities	
Accounts payable	128,823
Accrued payroll	1,219
Accrued interest payable	16,667
Other accrued liabilities	6,203
Due to other funds	33,015
Bonds payable, current portion	200,000
Other claims (Note 11)	3,959,193
Total current liabilities	<u>4,345,120</u>
Noncurrent liabilities	
Bonds payable, net of discount	790,593
Compensated absences	2,526
Total noncurrent liabilities	<u>793,119</u>
Total liabilities	<u>5,138,239</u>
Deferred Inflows of Resources	
Unavailable revenue - special assessments	<u>590,989</u>
Net Position	
Net investment in capital assets	5,595,069
Unrestricted	1,399,587
Total net position	<u>\$ 6,994,656</u>

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

The Charter Township of Alpena

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

For the Year Ended March 31, 2021

	<u>Water and Sewer Fund</u>
Operating Revenues	
Charges for services	\$ 2,397,034
Miscellaneous	<u>52,042</u>
Total operating revenues	<u>2,449,076</u>
Operating Expenses	
Salaries and wages	83,818
Employee benefits	27,460
Cost of water and sewer	1,619,429
Repairs and maintenance	245,924
Utilities	31,806
Supplies and durable goods	18,750
Occupancy	28,272
Professional services	628,249
Miscellaneous	8,050
Depreciation	<u>217,728</u>
Total operating expenses	<u>2,909,486</u>
Operating Income (Loss)	<u>(460,410)</u>
Nonoperating Revenues (Expenses)	
Special assessments	189,953
Interest income	9,837
Interest expense	(43,748)
Gain (loss) on sale of capital asset	<u>(981)</u>
Total nonoperating revenues (expenses)	<u>155,061</u>
Change in Net Position	(305,349)
Net Position , beginning of the year	<u>7,300,005</u>
Net Position , end of the year	<u><u>\$ 6,994,656</u></u>

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

The Charter Township of Alpena

Proprietary Fund - Statement of Cash Flows

March 31, 2021

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 2,460,409
Payments to suppliers	(2,634,372)
Payments to employees	(93,314)
Internal activity - payments to other funds	35,000
Net cash provided (used) by operating activities	<u>(232,277)</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds from special assessments	189,953
Acquisition of capital assets	(40,026)
Proceeds from sale of capital assets	18,500
Principal paid on capital debt	(200,000)
Interest paid on capital debt	(45,200)
Net cash provided (used) by capital and related financing activities	<u>(76,773)</u>
Cash Flows from Investing Activities	
Interest received	<u>9,837</u>
Net cash provided (used) by investing activities	<u>9,837</u>
Net increase (decrease) in cash and cash equivalents	(299,213)
Cash and Cash Equivalents, beginning of the year	<u>5,362,467</u>
Cash and Cash Equivalents, end of the year	<u>\$ 5,063,254</u>

The Charter Township of Alpena

Proprietary Fund - (continued) Statement of Cash Flows

March 31, 2021

Reconciliation of operating income to net cash provided (used in) operating activities:	
Operating income (loss)	\$ (460,410)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	217,728
Net changes in assets and liabilities:	
(Increase) decrease in accounts receivable	15,129
(Increase) decrease in unbilled receivables	(3,793)
(Increase) decrease in special assessments receivable	58,887
(Increase) decrease in prepaid expense	1,495
Increase (decrease) in accounts payable	(33,927)
Increase (decrease) in accrued payroll	(2,957)
Increase (decrease) in unearned revenue	(58,887)
Increase (decrease) in interfund activity	35,000
Increase (decrease) in other accrued liabilities	<u>(542)</u>
Net cash provided by (used in) operating activities	<u>\$ (232,277)</u>

The Charter Township of Alpena

Fiduciary Fund -
Statement of Fiduciary Net Position

March 31, 2021

	<u>Tax Collection Fund</u>
Assets	
Cash and cash equivalents	\$ 7,635
Total assets	<u>\$ 7,635</u>
Liabilities	
Due to other governments	\$ 4,453
Accounts payable	<u>3,182</u>
Total liabilities	<u>\$ 7,635</u>

The Charter Township of Alpena

Fiduciary Fund -
Statement of Changes in Fiduciary Net Position

For the Year Ended March 31, 2021

	<u>Tax Collection Fund</u>
Additions	
Property taxes collected	\$ 11,134,566
Deductions	
Property taxes distributed	<u>11,134,566</u>
Change in Net Position	-
Net Position , beginning of the year	<u>-</u>
Net Position , end of the year	<u><u>\$ -</u></u>

The Charter Township of Alpena

Notes to the Financial Statements

Note 1 – Summary of Significant Policies

The accounting policies of The Charter Township of Alpena, Alpena Township, Michigan (the “Township”), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

A. Township Operations.

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

B. Reporting Entity.

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

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

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

C. Basis of Presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, restricted resources are applied first.

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

The Charter Township of Alpena

Notes to the Financial Statements

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

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Township.

Government-Wide Financial Statements. The government-wide financial statements, (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Township. For the most part the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting with operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenue.

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

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

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

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

Proprietary Fund. Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

The Charter Township of Alpena

Notes to the Financial Statements

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

D. Basis of Accounting.

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

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

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

E. Financial Statement Amounts.

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

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

The allowance for doubtful accounts at March 31, 2021 was \$4,222.

Special Assessment Receivables. The Township has five special assessment levies that are recorded as a special assessment receivable in the General Fund consisting of \$166,180 at March 31, 2021. These levies are collected on behalf of another governmental unit, consequently, there is a due to other government recorded for a total amount of \$246,612 at March 31, 2021, consisting of the \$166,180 receivable and the amount of collections that have yet to be distributed of \$80,432. These special assessments are not considered revenue to the Township and there is no debt pertaining to these special assessments.

The Township has another special assessment levy for which they have a special assessment receivable of \$51,919 at March 31, 2021. During the year ended March 31, 2021, the Township recognized \$34,087 of revenue pertaining to this special assessment. There is no debt pertaining to this special assessment.

The Charter Township of Alpena

Notes to the Financial Statements

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

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

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

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

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

Compensated Absences. After 90 days of employment, Township employees are granted paid time off in varying amounts based on length of service and other contractual provisions, other than the Local 1859 Union employees who begin to accrue paid time off immediately upon employment. Paid time off is fully vested when earned, other than Local 1859 Union employees whose paid time off is not fully vested until one year of employment. Employees can rollover up to 160 hours of paid time off with any paid time off in excess of 160 hours being paid out to the employee at 50% of the employees’ hourly rate on March 31st of each year, other than Local 1859 Union employees who can rollover up to 600 hours with any paid time off in excess of 600 hours being paid out to the employee at varying amounts.

Net Position. The net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed for a particular purpose. Restrictions are imposed by external organizations, creditors, grantors or laws and regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of the above components and is available for general use by the Township.

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

The Charter Township of Alpena

Notes to the Financial Statements

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

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

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

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

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

The Township’s 2020 tax is levied and collectible on December 1, 2020 and is recognized as revenue in the year ended March 31, 2021 when the proceeds of the levy are budgeted and available for the financing of operations.

The Township annually sells its delinquent real property taxes to the County of Alpena (the “County”), which then becomes responsible for collecting the taxes and taking any uncollected tax parcels through the tax reversion process. The County purchases these taxes at 100 percent of face value, and in return, the County is allowed to retain all interest and penalties it collects. The estimated present value of future delinquent collections to the County is less than the face value that has been received because of the time value of money; however, the net present value to the County is greater than this amount because of the statutory provision that allows the County to retain all penalties and interest. During the current year, the Township received \$25,376 from this sale. At the end of the tax reversion process (approximately three years), the County charges the Township back for any uncollected taxes. Historically, this amount has not been significant.

The Charter Township of Alpena

Notes to the Financial Statements

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

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

New Accounting Standard. The Township adopted Government Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities*, in the current year. There was no restatement to fund balance or net position related to the implementation of the new accounting standard. The new accounting standard changed the statement requirements related to fiduciary activities beginning with year ended March 31, 2021 to include a statement of changes in fiduciary net position.

The Township adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in the current year. There was no restatement to fund balance or net position related to the implementation of the new accounting standard. The new accounting standard changed the requirements for the note disclosures related to debt of the Township beginning with year ended March 31, 2021.

Reclassifications. Certain items reported in the March 31, 2020, financial statements may have been reclassified to conform to the presentation for the current year.

Note 2 – Stewardship, Compliance and Accountability

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

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

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

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

The Charter Township of Alpena

Notes to the Financial Statements

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

Budget Item	Final Appropriation	Expended	Variance
General Fund			
General government			
Other	\$ 1,500	\$ 2,123	\$ (623)
Public safety			
Other inspections	44,500	47,095	(2,595)
Health and welfare	47,501	54,401	(6,900)
Other financing sources (uses)			
Transfers out	133,767	240,769	(107,002)
Public Safety Fund			
Public safety			
Fire protection	1,069,375	1,127,051	(57,676)
Debt service	41,000	42,205	(1,205)

Note 3 – Deposits and Investments

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

	Governmental Activities	Business-type Activities	Fiduciary Activities	Total Primary Government
Cash and cash equivalents	\$ 1,895,858	\$ 1,107,001	\$ 7,635	\$ 3,010,494
Restricted cash	-	3,956,253	-	3,956,253
Total	<u>\$ 1,895,858</u>	<u>\$ 5,063,254</u>	<u>\$ 7,635</u>	<u>\$ 6,966,747</u>

Restricted Cash. At March 31, 2021, a total of \$3,956,253 has been placed into an escrow savings account at a local financial institution by a court order. The account assures that the Township will have sufficient funds for the potential litigation liability pertaining to the water and sewer dispute with the City of Alpena. The Charter Township of Alpena and the City of Alpena both must approve any disbursements from the account. The Township has the sole responsibility for contributing funds into this account.

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

The Charter Township of Alpena

Notes to the Financial Statements

Note 3 – Deposits and Investments *(continued)*

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

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

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

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

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

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

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

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

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2021, \$5,744,544 of the Township's bank balance of \$6,994,626 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

The Charter Township of Alpena

Notes to the Financial Statements

Note 4 – Capital Assets

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

	Balance 04/01/2020	Additions	Adjustments & Retirements	Balance 03/31/2021
Governmental activities:				
Capital assets, not depreciated				
Land	\$ 2,002,111	\$ -	\$ -	\$ 2,002,111
	2,002,111	-	-	2,002,111
Capital assets being depreciated				
Buildings and improvements	1,441,472	12,898	-	1,454,370
Equipment	1,432,225	46,629	-	1,478,854
	2,873,697	59,527	-	2,933,224
Less accumulated depreciation				
Buildings and improvements	(1,401,839)	(4,278)	-	(1,406,117)
Equipment	(891,065)	(121,450)	-	(1,012,515)
	(2,292,904)	(125,728)	-	(2,418,632)
Governmental activities capital assets, net	\$ 2,582,904	\$ (66,201)	\$ -	\$ 2,516,703

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

Governmental activities:	
General government	\$ 19,307
Public safety	106,421
	\$ 125,728

The Charter Township of Alpena

Notes to the Financial Statements

Note 4 – Capital Assets (continued)

	<u>Balance 04/01/2020</u>	<u>Additions</u>	<u>Adjustments & Retirements</u>	<u>Balance 03/31/2021</u>
Business-type activities:				
Capital assets, not depreciated				
Land	\$ 17,030	\$ -	\$ -	\$ 17,030
	<u>17,030</u>	<u>-</u>	<u>-</u>	<u>17,030</u>
Capital assets, being depreciated				
Plant, property, & equipment	12,798,374	40,026	(24,065)	12,814,335
	<u>12,798,374</u>	<u>40,026</u>	<u>(24,065)</u>	<u>12,814,335</u>
Less accumulated depreciation				
Plant, property, & equipment	(6,032,559)	(217,728)	4,584	(6,245,703)
	<u>(6,032,559)</u>	<u>(217,728)</u>	<u>4,584</u>	<u>(6,245,703)</u>
Business-type activities capital, net	<u>\$ 6,782,845</u>	<u>\$ (177,702)</u>	<u>\$ (19,481)</u>	<u>\$ 6,585,662</u>

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

Business-type activities:

Public works	<u>\$ 217,728</u>
--------------	-------------------

Note 5 – Property Taxes

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the Township tax rolls. For the current year, the taxable value for properties located within the Township was \$352,743,472 on which ad valorem taxes levied for the Township general operating purposes was 1.0136 mills. The Township also has special purpose tax levies. The tax rates for these levies were 1.5000 mills for fire protection and .6500 mills for apparatus and equipment for fire protection.

The Charter Township of Alpena

Notes to the Financial Statements

Note 6 – Pension Plan

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

The Township's contributions for each employee are fully vested immediately for both plans. Employees enrolled in the Governmental Non-ERISA Retirement Plan have mandatory after-tax contributions of .5% of compensation and may make voluntary contributions up to 25% of compensation. As established by board resolution, the Township contributes 9.5% of employees' compensation to the Governmental Non-ERISA Retirement Plan and 6.5% (not to exceed 25%) of employee compensation to the Money Purchase Retirement Plan. In accordance with plan requirements, the Township contributed \$61,058 and \$3,763 to the Governmental Non-ERISA Retirement Plan and Money Purchase Retirement Plan during the current year, respectively.

This space intentionally left blank.

The Charter Township of Alpena

Notes to the Financial Statements

Note 7 – Long-Term Debt

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

	<u>Balances,</u> <u>04/01/2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances,</u> <u>03/31/2021</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Direct borrowings and direct placements:					
Installment purchase agreement					
North Pointe Shores Road					
Amount of issue: \$342,000					
Interest rate: 2.390%					
Principal maturity range					
\$30,681 - \$37,948					
	\$ 146,330	\$ -	\$ (36,161)	\$ 110,169	\$ 37,027
Capital lease - Konica-Minolta					
Bizhub Copier					
Dated 03/20/2017					
Amount of issue: \$6,950					
Interest rate: 11.587%					
Principal maturity range					
\$1,090 - \$1,727					
	3,266	-	(1,539)	1,727	1,727
Installment purchase agreement					
Dated 06/11/2019					
Amount of issue: \$297,702					
Interest rate: 3.500%					
Principal maturity range					
\$148,351 - \$149,351					
	<u>149,351</u>	<u>-</u>	<u>(149,351)</u>	<u>-</u>	<u>-</u>
Total direct borrowings and direct placements	298,947	-	(187,051)	111,896	38,754
Compensated absences	<u>56,632</u>	<u>-</u>	<u>(34,898)</u>	<u>21,734</u>	<u>21,734</u>
Total governmental activities	<u>\$ 355,579</u>	<u>\$ -</u>	<u>\$ (221,949)</u>	<u>\$ 133,630</u>	<u>\$ 60,488</u>

All governmental direct borrowings and direct placements are collateralized by the asset that the debt was issued to purchase.

The Charter Township of Alpena

Notes to the Financial Statements

Note 7 – Long-Term Debt *(continued)*

	<u>Balances,</u> <u>04/01/2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances,</u> <u>03/31/2021</u>	<u>Due Within</u> <u>One Year</u>
Business-type activities:					
Other debt - special assessment bonds:					
Alpena Township Water Project					
Special Assessment Bonds					
Amount of issue: \$3,915,000					
Maturing through 2025					
Interest rate ranges: 3.25%-4.25%					
Principal maturity range \$115,000 -					
\$200,000	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ 1,000,000</u>	<u>\$ 200,000</u>
Total other debt	1,200,000	-	(200,000)	1,000,000	200,000
Compensated absences	<u>9,068</u>	<u>-</u>	<u>(6,542)</u>	<u>2,526</u>	<u>2,526</u>
Total business-type activities	<u>\$ 1,209,068</u>	<u>\$ -</u>	<u>\$ (206,542)</u>	<u>\$ 1,002,526</u>	<u>\$ 202,526</u>

Bond discount. The bond has a discount outstanding of \$9,407 as of March 31, 2021. This discount will be amortized on a straight-line basis over the life of the bonds.

Special assessment bonds. The special assessment debt was issued to finance water improvements in the US South Water Project Special Assessment District within the Township of Alpena. The debt will be repaid wholly from special assessments levied against benefited property owners. This activity is recorded within the Water and Sewer Fund. As additional security for the debt, the Township has pledged its limited tax full faith and credit for the payment of principal and interest thereon. During the year, special assessment revenue was \$189,953 compared to the debt service requirements of \$244,000. Any delinquent special assessments are purchased by the County of Alpena per the agreement between the Township and the County, as previously disclosed in Note 1. Consequently, delinquent special assessment receivables were \$0 as of March 31, 2021.

The Charter Township of Alpena

Notes to the Financial Statements

Note 7 – Long-Term Debt *(continued)*

The annual principal and interest requirements are as follows:

Year Ended March 31,	Governmental Activities		Business-type Activities	
	Direct borrowings and direct placements		Other debt	
	Principal	Interest	Principal	Interest
2022	\$ 38,754	\$ 1,939	\$ 200,000	33,000
2023	37,911	944	200,000	25,283
2024	35,231	869	200,000	17,250
2025	-	-	200,000	9,100
2026	-	-	200,000	700
	\$ 111,896	\$ 3,752	\$ 1,000,000	\$ 85,333

Note 8 – Tax Abatement

The Township may enter into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within the Township. Each agreement would be negotiated under a state law, which would allow local units to abate property taxes for a variety of economic development purposes. The abatements may be granted to local businesses located within the Township or promising to relocate within the Township. Depending on the statute referenced for a particular abatement, the Township may grant abatements of up to 50% of annual property taxes through a direct reduction of the entity's property tax bill or not tax the entity on improvements to a property for a period of time, not to exceed twelve years. Depending on the terms of the agreement and state law, abated taxes may be subject to recapture upon default of the entity. The Township has not entered into any tax abatement agreements as of March 31, 2021. The Township is not subject to any tax abatement agreements entered into by other governmental entities.

Note 9 – Risk Management

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

The Charter Township of Alpena

Notes to the Financial Statements

Note 10 – Interfund Receivables, Payables and Transfers

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

	Transfers In	Transfers Out
Public Safety Fund	\$ 240,769	
General Fund		\$ 240,769

The amount of interfund receivables and payables at March 31, 2021, is as follows:

Due to General Fund from	
Public Safety Fund	\$ 5,657
Water and Sewer Fund	33,015
	<u>\$ 38,672</u>
Due to Public Safety Fund from	
General Fund	<u>\$ 313</u>
Due to Water and Sewer Fund from	
Public Safety Fund	<u>\$ 25,000</u>

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

Note 11 – Contingencies and Claims

The Charter Township of Alpena has been involved in litigation since 2014 with the City of Alpena regarding protested sewage and water rates charged by the City to the Township from June 2014 through the date of issuance of these financial statements. The Township has recorded a liability of \$3,959,193 (through March 31, 2021), which has been recorded as “Other claims” on the face of the financial statements in the Water and Sewer Fund. In addition, the City of Alpena has been seeking late charges of approximately \$6,490,205. The Township had not historically recognized these late charges as a liability. During the litigation, the Court ordered a joint escrow account be established and the disputed difference in rates be deposited into the account. The Township believes the liability booked adequately covers their potential loss contingency, however the estimated range for the possible loss is unknown at this time.

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

The Charter Township of Alpena

Notes to the Financial Statements

Note 11 – Contingencies and Claims *(continued)*

On March 17, 2020, the Michigan Court of Appeals ruled that the parties had not reached a settlement, even on the rates through 2018 that the Circuit Court had previously issued, and the Court of Appeals sent the case back to the Circuit Court to continue the trial. Subsequent to the ruling, the Township requested reconsideration, which was denied on July 9, 2020. The Township appealed the case to the Michigan Supreme Court who denied the request to hear the case. The case was then sent back to the Circuit Court in Alpena.

Note 12 – Governmental Fund Balances

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

	General Fund	Public Safety Fund	Total
Fund balances:			
Restricted for:			
North Pointe Shores Road	\$ 31,613	\$ -	\$ 31,613
Equipment	-	259,815	259,815
	<u>31,613</u>	<u>259,815</u>	<u>291,428</u>
Committed for:			
Public safety	-	466,038	466,038
Unassigned	<u>1,100,009</u>	-	<u>1,100,009</u>
Total governmental funds	<u>\$ 1,131,622</u>	<u>\$ 725,853</u>	<u>\$ 1,857,475</u>

Note 13 – Subsequent Events

Management has evaluated subsequent event through September 21, 2021 the date on which the final statements were made available to be issued.

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

In May 2021, the Township entered into an installment purchase agreement for a new fire truck in the amount of \$450,904.

The Township was awarded \$915,536 in federal funding through the American Rescue Plan Act.

REQUIRED SUPPLEMENTAL INFORMATION

The Charter Township of Alpena

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

For the Year Ended March 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 378,300	\$ 378,300	\$ 362,063	\$ (16,237)
Other taxes	17,000	17,000	16,617	(383)
Special assessment income	56,500	56,500	34,087	(22,413)
Licenses and permits	158,900	158,900	124,490	(34,410)
Federal revenue	-	-	8,299	8,299
State revenue	865,188	717,750	846,083	128,333
Charges for services	177,600	177,600	270,345	92,745
Investment income	3,700	3,700	6,876	3,176
North Pointe Shores assessment	39,000	39,000	38,195	(805)
Other revenue	14,600	14,600	4,339	(10,261)
Total revenues	1,710,788	1,563,350	1,711,394	148,044
Expenditures				
General government				
Board of trustees	120,147	113,797	112,513	1,284
Supervisor	97,219	86,619	79,075	7,544
Treasurer	159,782	152,982	145,888	7,094
Clerk	143,263	137,648	130,335	7,313
Assessor	206,295	192,232	177,183	15,049
Elections	44,525	50,545	48,966	1,579
Board of review	5,971	5,971	2,322	3,649
Buildings and grounds	167,667	102,667	70,967	31,700
Other	1,500	1,500	2,123	(623)
Total general government	946,369	843,961	769,372	74,589
Public safety				
Liquor law enforcement	25,417	24,417	20,695	3,722
Building inspection	147,877	128,879	109,726	19,153
Other inspections	37,500	44,500	47,095	(2,595)
Planning and zoning	19,359	15,359	12,320	3,039
Total public safety	230,153	213,155	189,836	23,319

(continued)

The Charter Township of Alpena

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

For the Year Ended March 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures (continued)				
Public works				
Highway and streets	\$ 300,000	\$ 269,938	\$ 193,519	\$ 76,419
Health and welfare	47,501	47,501	54,401	(6,900)
Recreation and culture				
Parks and recreation development	25,000	25,000	24,226	774
Total expenditures	1,549,023	1,399,555	1,231,354	168,201
Other Financing Sources (Uses)				
Transfers out	(133,767)	(133,767)	(240,769)	(107,002)
Net Change in Fund Balances	27,998	30,028	239,271	209,243
Fund Balance, beginning of the year,	892,351	892,351	892,351	-
Fund Balance, end of year	\$ 920,349	\$ 922,379	\$ 1,131,622	\$ 209,243

The Charter Township of Alpena

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

For the Year Ended March 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 737,000	\$ 737,000	\$ 759,111	\$ 22,111
Federal revenue	-	-	68,908	68,908
Other intergovernmental revenue	-	-	9,750	9,750
Charges for services	162,500	162,500	173,553	11,053
Licenses and permits	18,000	1,200	-	(1,200)
Investment income	-	-	6,520	6,520
Other revenue	500	500	-	(500)
Total revenues	918,000	901,200	1,017,842	116,642
Expenditures				
Public safety				
Fire protection	1,087,125	1,069,375	1,127,051	(57,676)
Debt service	41,000	41,000	42,205	(1,205)
Total expenditures	1,128,125	1,110,375	1,169,256	(58,881)
Other Financing Sources (Uses)				
Transfers in	133,767	133,767	240,769	107,002
Net Change in Fund Balances	(76,358)	(75,408)	89,355	164,763
Fund Balance, beginning of the year	636,498	636,498	636,498	-
Fund Balance, end of the year	\$ 560,140	\$ 561,090	\$ 725,853	\$ 164,763

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Charter Township of Alpena, Michigan (the "Township") for the year ended March 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in a letter dated May 21, 2021. 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. As described in Note 1 to the financial statements, the Township changed accounting policies related to fiduciary funds by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities*, and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in 2021. There were no effects on the financial statements as a result of implementing the new accounting changes. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

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

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 21, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis and Budgetary Comparison Schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of

preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Recent Pronouncements.

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

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

- A. GASB Statement No. 87 – Leases.** The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government leasing activities.

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

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

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

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

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

Restriction on Use

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

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

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

Very truly yours,

Straley Lamp & Kraenzlein P.C.

September 21, 2021