

**THE CHARTER  
TOWNSHIP OF ALPENA**

Audited Financial Statements

Year Ended March 31, 2022

**STRALEY LAMP & KRAENZLEIN P.C.**

**The Charter Township of Alpena**

**Board of Trustees**

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**Independent Auditors**  
Straley Lamp & Kraenzlein P.C.

**Legal Counsel**  
Gillard, Bauer, Mazrum, Florip, Smigelski & Gulden  
Fahey, Schultz, Burzych, Rhodes PLC

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Township Board  
Alpena Township, Michigan

### Report on the Financial Statements

#### *Qualified and Unmodified Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Charter Township of Alpena, Michigan (the Township), as of and for the year ended March 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.

#### *Summary of Opinions*

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Qualified
Aggregate Discretely Presented Component Unit	Unmodified
General Fund	Unmodified
Public Safety Fund	Unmodified
American Rescue Plan Act Fund	Unmodified
Business-Type Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

#### *Qualified Opinions on Business-Type Activities and Business-Type Fund*

In our opinion, except for the effects of the matter described in the "Basis for Qualified and Unmodified Opinions" section of our report, 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 Township, as of March 31, 2022, 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 on Governmental Activities, Aggregate Discretely Presented Component Units, General Fund, Public Safety Fund, American Rescue Plan Act Fund, and Aggregate Remaining Fund Information*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, aggregate discretely presented component units, each major fund other than the business-type fund, and the aggregate remaining fund information of the Township as of March 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 Qualified and Unmodified Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. 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 Charter Township of Alpena 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 qualified and unmodified audit opinions.

### ***Matter Giving Rise to the Qualified Opinion on the Business-Type Activities and Business-Type Fund***

Management has not been able to produce detailed records of the capital assets prior to 2017 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.

### ***Responsibilities of Management 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, 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 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 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 and budgetary comparison information 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.

*Straley Lamp & Kraenzlein P.C.*

Alpena, Michigan  
September 20, 2022

# The Charter Township of Alpena

## Management's Discussion and Analysis

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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, 2022. Please read it in conjunction with the Township's financial statements.

### Financial Highlights

- The Township's total net position increased \$541,008 as a result of this year's operations.
- The Township assets of \$18,297,342 exceeded its liabilities and deferred inflows of resources of \$6,516,845 by \$11,780,497.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$1,606,910 which represents 116% 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 \$251,431. Revenues and expenses increased over the prior year by \$410,527 and \$356,609, 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 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, public safety, public works, social services, recreation and cultural, and interest on long-term debt.

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

**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.

# The Charter Township of Alpena

## Management's Discussion and Analysis

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**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 three individual governmental funds, the General Fund, the Public Safety Fund, and the American Rescue Plan Act Fund, all 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	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$3,411,324	\$2,250,677	\$ 5,703,430	\$ 6,105,207	\$ 9,114,754	\$ 8,355,884
Capital assets, net of depreciation	2,689,367	2,516,703	6,493,221	6,585,662	9,182,588	9,102,365
<b>Total assets</b>	<b>6,100,691</b>	<b>4,767,380</b>	<b>12,196,651</b>	<b>12,690,869</b>	<b>18,297,342</b>	<b>17,458,249</b>
Current liabilities	992,633	398,817	4,486,925	4,314,631	5,479,558	4,713,448
Non-current liabilities	37,948	73,142	592,475	790,593	630,423	863,735
<b>Total liabilities</b>	<b>1,030,581</b>	<b>471,959</b>	<b>5,079,400</b>	<b>5,105,224</b>	<b>6,109,981</b>	<b>5,577,183</b>
Deferred inflows of resources	32,838	50,588	374,026	590,989	406,864	641,577
Net position:						
Net investment in capital assets	2,406,389	2,404,807	5,700,746	5,595,069	8,107,135	7,999,876
Restricted	418,139	291,428	-	-	418,139	291,428
Unrestricted	2,212,744	1,548,598	1,042,479	1,399,587	3,255,223	2,948,185
	<b>\$5,037,272</b>	<b>\$4,244,833</b>	<b>\$ 6,743,225</b>	<b>\$ 6,994,656</b>	<b>\$ 11,780,497</b>	<b>\$ 11,239,489</b>

#### 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 \$11,780,497. Of this total, \$8,107,135 (69%) 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 \$418,139 (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 \$3,255,223 (28%) at March 31, 2022.

## The Charter Township of Alpena

### Management's Discussion and Analysis

#### Summary of Changes in Net Position:

	Governmental activities		Business-type activities		Totals	
	2022	2021	2022	2021	2022	2021
Program revenues:						
Charges for services	\$ 455,429	\$ 586,294	\$ 2,876,124	\$ 2,449,076	\$ 3,331,553	\$ 3,035,370
Operating grants and contributions	39,000	86,957	-	-	39,000	86,957
General revenues:						
Property taxes	1,165,707	1,140,120	-	-	1,165,707	1,140,120
State share revenue	1,031,351	846,083	-	-	1,031,351	846,083
Investment earnings	9,565	13,396	1,451	9,837	11,016	23,233
Other taxes and assessments	21,149	34,087	180,837	189,953	201,986	224,040
Other miscellaneous income	24	67	-	-	24	67
Gain (loss) on sale of capital assets	509	-	-	(981)	509	(981)
<b>Total revenues</b>	<b>2,722,734</b>	<b>2,707,004</b>	<b>3,058,412</b>	<b>2,647,885</b>	<b>5,781,146</b>	<b>5,354,889</b>
Expenses:						
General government	760,061	774,242	-	-	760,061	774,242
Public safety	955,889	1,188,191	-	-	955,889	1,188,191
Public works	139,604	193,519	3,309,843	2,953,234	3,449,447	3,146,753
Health and welfare	33,157	54,401	-	-	33,157	54,401
Recreation and culture	3,479	24,226	-	-	3,479	24,226
Interest on long-term debt	38,105	6,043	-	-	38,105	6,043
<b>Total expenses</b>	<b>1,930,295</b>	<b>2,240,622</b>	<b>3,309,843</b>	<b>2,953,234</b>	<b>5,240,138</b>	<b>5,193,856</b>
Changes in position	792,439	466,382	(251,431)	(305,349)	541,008	161,033
Net position - beginning of the year	4,244,833	3,778,451	6,994,656	7,300,005	11,239,489	11,078,456
Net position - end of the year	<u>\$ 5,037,272</u>	<u>\$ 4,244,833</u>	<u>\$ 6,743,225</u>	<u>\$ 6,994,656</u>	<u>\$ 11,780,497</u>	<u>\$ 11,239,489</u>

#### Governmental activities

Governmental activities increased the Township's net position by \$792,439 in 2022 compared to a \$466,382 in 2021. Revenue remained relatively consistent with 2021 amounts, with an overall increase of \$15,730. The overall increase was primarily due to the increase in state shared revenue of \$185,268, an increase in property taxes of \$25,587 and a decrease in charges for services and operating grants and contributions of \$130,865 and \$47,957, respectively. Total governmental expenses were \$310,327 less in 2022 compared to 2021. The difference is primarily due to a decrease in public safety and public works expenses of \$232,302 and \$53,915, respectively.

The total cost of governmental activities this year was \$1,930,295. After subtracting the direct charges to those who directly benefited from the programs of \$455,429, the "public benefit" portion covered by property taxes, state revenue sharing, and other revenues was \$1,474,866 in 2022.

#### Business type activities

The net position of the Township's business-type activities decreased by \$251,431 in 2022 compared to a \$305,349 decrease in 2021. Both revenue and expenses increased in 2022 from the 2021 amounts by \$410,527 and \$356,609, respectively.

# The Charter Township of Alpena

## Management's Discussion and Analysis

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### Financial Analysis of The Township's Funds

At March 31, 2022, the Township's governmental funds reported a combined fund balance of \$2,663,884, an increase of \$806,409 over the prior year. As of March 31, 2022, there was total of \$1,606,910 (60%) 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: \$418,139 (16%) is restricted to indicate that it is for a specific purpose of the fund, \$638,835 (24%) was committed by a board of trustees action.

The General Fund's fund balance increased \$516,206 from the prior year. Overall revenues increased by \$194,166 over the prior year, with most revenues remaining consistent with the prior year. The primary reason for the increase was an increase in state revenue of \$185,268. Overall expenditures decreased \$104,592. This was mainly attributable to a decrease of \$53,915 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, had a slight increase of \$21,823 from the prior fiscal year.

### General Fund Budgetary Highlights

Actual revenues exceeded the budget by \$238,326. The majority of this was attributable to state revenue exceeding the budget by \$172,898, licenses and permits exceeding the budget by \$40,777, and charges for services exceeding the budget by \$27,519. The original revenue budget was amended by an increase of \$51,884, which was primarily due to an increase of budgeted licenses and permits revenue of \$37,307.

Overall expenditures were \$225,160 less than budgeted. The final budget for expenditures increased from the original budget by \$54,092, primarily due to increases in general government of \$56,639. The majority of the expenditure budget amendments were not significant. See Note 2 to the financial statements for further information related to the budget.

### Capital Assets and Debt Administration

#### Capital assets

At March 31, 2022, 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 \$9,182,588 at March 31, 2022. During the year ended March 31, 2022 the Township had an overall increase of \$172,664 in governmental activities, as a result of capital asset additions exceeding depreciation and retirements and a decrease of \$92,441 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.

## The Charter Township of Alpena

### Management's Discussion and Analysis

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#### **Debt administration**

At the end of the fiscal year, the Township had total debt outstanding in the amount of \$1,107,522 a decrease of \$28,634.

Long-term debt obligations consisted of a liability for compensated absences of \$32,069, water project bond of \$800,000 (with a prepaid bond discount of \$7,525), and an installment loan of \$74,964.

Short-term debt obligations consisted of a liability for an installment loan of \$208,014.

Detailed information about the Township's long-term debt is presented in Notes 7 and 8 of the notes to the basic financial statements.

#### **Economic Factors and Next Year's Budgets and Rates**

As the Township moves into fiscal year 2022-2023 the Township will continue to monitor and improve the internal control structure. Now that the Township is on the sixth 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. The Township began a capital improvement plan (CIP) for the General Fund and has a complete CIP for our enterprise fund (the Water and Sewer Fund) to draft the plan for future projects.

The Township expects an increase of approximately \$10,000,000 in taxable values on which a millage (1.0136) 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. 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 fourth year of a 1.5 mill for operating and the final year of collecting .65 mill for equipment. The Township's Board continues to improve the budget and work through monthly budget amendments for the fiscal year. This will improve the budget and transparency for the citizens of the Township. The City, Village, and Township Revenue Sharing (CVTRS) funds are projected to decrease, but the Constitutional revenue is projected to increase. The Township has collected an additional \$459,584 since the start of the new fiscal year through the Coronavirus Local Fiscal Recovery Fund (CLFRF) which is part of the American Rescue Plan Act (ARPA) and is recorded in the American Rescue Plan Act Fund.

#### **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

**BASIC FINANCIAL STATEMENTS**

**The Charter Township of Alpena**

Statement of Net Position

March 31, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 3,103,273	\$ 864,330	\$ 3,967,603	\$ 676
Restricted cash	-	3,957,248	3,957,248	-
Accounts receivable	1,000	48,818	49,818	-
Unbilled receivables	-	459,008	459,008	-
Due from other governments	155,745	-	155,745	-
Special assessments receivable	18,389	148,860	167,249	-
Noncurrent assets:				
Special assessments receivable	132,917	225,166	358,083	-
Capital assets not being depreciated	2,002,111	17,030	2,019,141	-
Capital assets being depreciated, net	687,256	6,476,191	7,163,447	-
Total assets	6,100,691	12,196,651	18,297,342	676
<b>Liabilities</b>				
Accounts payable	37,670	305,971	343,641	-
Accrued liabilities	57,155	7,503	64,658	-
Accrued interest payable	3,468	13,667	17,135	-
Due to other governments	160,166	-	160,166	-
Unearned revenues	459,611	-	459,611	-
Other claims (Note 11)	-	3,957,248	3,957,248	-
Noncurrent liabilities:				
Due within one year				
Bonds and loans payable	245,030	200,000	445,030	-
Compensated absences	29,533	2,536	32,069	-
Due in more than one year				
Bonds and loans payable	37,948	592,475	630,423	-
Total liabilities	1,030,581	5,079,400	6,109,981	-
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	32,838	374,026	406,864	-
<b>Net Position</b>				
Net investment in capital assets	2,406,389	5,700,746	8,107,135	-
Restricted for:				
Fire equipment	377,221	-	377,221	-
North Pointe Shores Road	40,918	-	40,918	-
Unrestricted	2,212,744	1,042,479	3,255,223	676
Total net position	\$ 5,037,272	\$ 6,743,225	\$ 11,780,497	\$ 676

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, 2022

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Functions/Programs:</b>			
<b>Primary Government:</b>			
Governmental activities			
General government	\$ 760,061	\$ 417,303	\$ -
Public safety	955,889	-	39,000
Public works	139,604	38,126	-
Health and welfare	33,157	-	-
Recreation and culture	3,479	-	-
Interest on long-term debt	38,105	-	-
Total governmental activities	<u>1,930,295</u>	<u>455,429</u>	<u>39,000</u>
Business-type activities:			
Water and sewer	<u>3,255,843</u>	<u>2,822,124</u>	<u>-</u>
Total business-type activities	<u>3,255,843</u>	<u>2,822,124</u>	<u>-</u>
Total primary government	<u>\$ 5,186,138</u>	<u>\$ 3,277,553</u>	<u>\$ 39,000</u>
<b>Component Units:</b>			
Brownfield Redevelopment Authority	<u>\$ 6,824</u>	<u>\$ -</u>	<u>\$ 7,500</u>
Total component units	<u>\$ 6,824</u>	<u>\$ -</u>	<u>\$ 7,500</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			Component Unit
Governmental Activities	Business-type Activities	Total	
\$ (342,758)	\$ -	\$ (342,758)	\$ -
(916,889)	-	(916,889)	-
(101,478)	-	(101,478)	-
(33,157)	-	(33,157)	-
(3,479)	-	(3,479)	-
(38,105)	-	(38,105)	-
(1,435,866)	-	(1,435,866)	-
-	(433,719)	(433,719)	-
-	(433,719)	(433,719)	-
(1,435,866)	(433,719)	(1,869,585)	-
\$ -	\$ -	\$ -	\$ 676
\$ -	\$ -	\$ -	\$ 676
1,165,707	-	1,165,707	-
1,031,351	-	1,031,351	-
9,565	1,451	11,016	-
21,149	180,837	201,986	-
24	-	24	-
509	-	509	-
2,228,305	182,288	2,410,084	-
792,439	(251,431)	541,008	676
4,244,833	6,994,656	11,239,489	-
\$ 5,037,272	\$ 6,743,225	\$ 11,780,497	\$ 676



**The Charter Township of Alpena**

Governmental Funds -  
Balance Sheet

March 31, 2022

	<u>General Fund</u>	<u>Public Safety</u>	<u>American Rescue Plan Act Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,593,862	\$ 1,049,792	\$ 459,619	\$ 3,103,273
Accounts receivable, net	1,000	-	-	1,000
Special assessment receivable	151,306	-	-	151,306
Due from other governments	155,745	-	-	155,745
 Total assets	 <u>\$ 1,901,913</u>	 <u>\$ 1,049,792</u>	 <u>\$ 459,619</u>	 <u>\$ 3,411,324</u>
<b>Liabilities</b>				
Accounts payable	\$ 18,898	\$ 18,772	\$ -	\$ 37,670
Accrued liabilities	42,183	14,972	-	57,155
Due to other governments	160,166	-	-	160,166
Unearned revenues	-	-	459,611	459,611
 Total liabilities	 <u>221,247</u>	 <u>33,744</u>	 <u>459,611</u>	 <u>714,602</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	32,838	-	-	32,838
<b>Fund Balances</b>				
Restricted	40,918	377,221	-	418,139
Committed	-	638,827	8	638,835
Unassigned	1,606,910	-	-	1,606,910
 Total fund balances	 <u>1,647,828</u>	 <u>1,016,048</u>	 <u>8</u>	 <u>2,663,884</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 1,901,913</u>	 <u>\$ 1,049,792</u>	 <u>\$ 459,619</u>	 <u>\$ 3,411,324</u>

# The Charter Township of Alpena

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

March 31, 2022

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Fund balances - total governmental funds		\$	2,663,884
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	\$	5,151,202	
Less accumulated depreciation		<u>(2,461,835)</u>	
			2,689,367
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Accrued interest		(3,468)	
Notes payable		(282,978)	
Compensated absences		<u>(29,533)</u>	
			<u>(315,979)</u>
Total net position - governmental activities		\$	<u><u>5,037,272</u></u>

**The Charter Township of Alpena**

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

For the Year Ended March 31, 2022

	<u>General Fund</u>	<u>Public Safety</u>	<u>American Rescue Plan Act Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property taxes	\$ 372,448	\$ 773,721	\$ -	\$ 1,146,169
Other taxes	17,167	-	-	17,167
Special assessment income	21,149	-	-	21,149
Licenses and permits	208,784	-	-	208,784
State revenue	1,031,351	-	-	1,031,351
Other intergovernmental revenue	-	39,000	-	39,000
Charges for services	200,909	2,514	-	203,423
Investment income	5,621	3,927	17	9,565
Special assessment income	38,126	-	-	38,126
Other revenue	10,005	-	-	10,005
	<u>1,905,560</u>	<u>819,162</u>	<u>17</u>	<u>2,724,739</u>
<b>Expenditures</b>				
Current				
General government	747,124	-	9	747,133
Public safety	203,398	1,091,468	-	1,294,866
Public works	139,604	-	-	139,604
Health and welfare	33,157	-	-	33,157
Recreation and culture	3,479	-	-	3,479
Debt service				
Principal	-	36,205	-	36,205
Interest	-	1,900	-	1,900
	<u>1,126,762</u>	<u>1,129,573</u>	<u>9</u>	<u>2,256,344</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	262,592	-	262,592
Transfers out	(262,592)	-	-	(262,592)
Proceeds from debt issuance	-	208,014	-	208,014
Proceeds from sale of capital assets	-	130,000	-	130,000
	<u>(262,592)</u>	<u>600,606</u>	<u>-</u>	<u>338,014</u>
<b>Net Change in Fund Balances</b>	516,206	290,195	8	806,409
<b>Fund Balance, beginning of the year</b>	<u>1,131,622</u>	<u>725,853</u>	<u>-</u>	<u>1,857,475</u>
<b>Fund Balance, end of the year</b>	<u>\$ 1,647,828</u>	<u>\$ 1,016,048</u>	<u>\$ 8</u>	<u>\$ 2,663,884</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, 2022

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Net change in fund balances - Total governmental funds \$ 806,409

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	\$ (155,049)	
Capital outlay	457,204	
Proceeds from sale of capital assets	(130,000)	
Gain on disposals of capital assets	509	
	<hr/>	172,664

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	(4,285)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Proceeds from issuance of debt	(208,014)	
Principal payments on long-term debt	36,932	
Change in accrued interest payable	(3,468)	
Change in long-term compensated absences	(7,799)	
	<hr/>	(182,349)

Change in net position of governmental activities	\$ 792,439
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# The Charter Township of Alpena

## Proprietary Fund - Statement of Net Position

March 31, 2022

	<u>Water and Sewer Fund</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 864,330
Restricted cash	3,957,248
Accounts receivable	48,818
Unbilled receivables	459,008
Special assessments receivable	148,860
Total current assets	<u>5,478,264</u>
Noncurrent assets	
Capital assets not being depreciated	17,030
Capital assets being depreciated, net	6,476,191
Special assessments receivable	225,166
Total noncurrent assets	<u>6,718,387</u>
Total assets	<u>12,196,651</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	305,971
Accrued payroll	1,305
Accrued interest payable	13,667
Other accrued liabilities	6,198
Bonds payable, current portion	200,000
Other claims (Note 11)	3,957,248
Compensated absences	2,536
Total current liabilities	<u>4,486,925</u>
Noncurrent liabilities	
Bonds payable, net of discount	<u>592,475</u>
Total liabilities	<u>5,079,400</u>
<b>Deferred Inflows of Resources</b>	
Unavailable revenue - special assessments	<u>374,026</u>
<b>Net Position</b>	
Net investment in capital assets	5,700,746
Unrestricted	1,042,479
Total net position	<u>\$ 6,743,225</u>

**The Charter Township of Alpena**

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

For the Year Ended March 31, 2022

	<u>Water and Sewer Fund</u>
<b>Operating Revenues</b>	
Charges for services	\$ 2,767,524
Miscellaneous	<u>54,600</u>
Total operating revenues	<u>2,822,124</u>
<b>Operating Expenses</b>	
Salaries and wages	34,197
Employee benefits	16,476
Cost of water and sewer	1,524,521
Repairs and maintenance	389,023
Utilities	29,378
Supplies and durable goods	14,355
Occupancy	46,572
Professional services	928,027
Miscellaneous	12,942
Depreciation	<u>224,270</u>
Total operating expenses	<u>3,219,761</u>
<b>Operating Income (Loss)</b>	<u>(397,637)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Special assessments	180,837
Interest income	1,451
Interest expense	<u>(36,082)</u>
Total nonoperating revenues (expenses)	<u>146,206</u>
<b>Change in Net Position</b>	(251,431)
<b>Net Position</b> , beginning of the year	<u>6,994,656</u>
<b>Net Position</b> , end of the year	<u>\$ 6,743,225</u>

**The Charter Township of Alpena**

Proprietary Fund -  
Statement of Cash Flows

March 31, 2022

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	<u>Water and Sewer Fund</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 2,827,277
Payments to suppliers	(2,840,096)
Payments to employees	(34,101)
Internal activity - payments to other funds	(8,015)
Net cash provided (used) by operating activities	<u>(54,935)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from special assessments	180,837
Acquisition of capital assets	(131,829)
Principal paid on capital debt	(200,000)
Interest paid on capital debt	(37,200)
Net cash provided (used) by capital and related financing activities	<u>(188,192)</u>
<b>Cash Flows from Investing Activities</b>	
Interest received	1,451
Net cash provided (used) by investing activities	<u>1,451</u>
Net increase (decrease) in cash and cash equivalents	(241,676)
<b>Cash and Cash Equivalents,</b> beginning of the year	<u>5,063,254</u>
<b>Cash and Cash Equivalents,</b> end of the year	<u>\$ 4,821,578</u>

## The Charter Township of Alpena

### Proprietary Fund - (continued) Statement of Cash Flows

March 31, 2022

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Reconciliation of operating income to net cash provided (used in) operating activities:	
Operating income (loss)	\$ (397,637)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	224,270
Net changes in assets and liabilities:	
(Increase) decrease in accounts receivable	49,558
(Increase) decrease in unbilled receivables	(98,405)
(Increase) decrease in special assessments receivable	216,963
Increase (decrease) in accounts payable	177,148
Increase (decrease) in accrued payroll	86
Increase (decrease) in unearned revenue	(216,963)
Increase (decrease) in interfund activity	(8,015)
Increase (decrease) in other accrued liabilities	(1,940)
Net cash provided by (used in) operating activities	<u>\$ (54,935)</u>



**The Charter Township of Alpena**

Fiduciary Fund -  
Statement of Fiduciary Net Position

March 31, 2022

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	<u>Tax Collection Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 7,537
Total assets	<u>\$ 7,537</u>
<b>Liabilities</b>	
Due to other governments	\$ 3,009
Accounts payable	<u>4,528</u>
Total liabilities	<u>\$ 7,537</u>

**The Charter Township of Alpena**

Fiduciary Fund -  
Statement of Changes in Fiduciary Net Position

For the Year Ended March 31, 2022

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	<u>Tax Collection Fund</u>
<b>Additions</b>	
Property taxes collected	\$ 11,389,281
<b>Deductions</b>	
Property taxes distributed	<u>11,389,281</u>
<b>Change in Net Position</b>	-
<b>Net Position, beginning of the year</b>	<u>-</u>
<b>Net Position, end of the year</b>	<u><u>\$ -</u></u>

**The Charter Township of Alpena**

Discretely Presented Component Unit  
Statement of Net Position

March 31, 2022

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	<u>Brownfield Redevelopment Authority</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 676
Total Assets	<u>\$ 676</u>
<b>Net Position</b>	
Unrestricted	\$ 676
Total net position	<u>\$ 676</u>

**The Charter Township of Alpena**

Discretely Presented Component Unit  
Statement of Activities

For the Year Ended March 31, 2022

	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b><u>Functions/Programs:</u></b>				
Brownfield Redevelopment Authority	\$ 6,824	\$ -	\$ 7,500	\$ 676
Total component units	\$ 6,824	\$ -	\$ 7,500	\$ 676
Change in net position				676
Net Position, beginning of the year				-
Net Position, end of the year				\$ 676

# The Charter Township of Alpena

## Notes to the Financial Statements

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### 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.

**Discretely Presented Component Unit.** 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 has one component unit, the Brownfield Redevelopment Authority

The component unit column in the government-wide financial statements includes the financial data of the Township’s component unit. They are reported in a separate column to emphasize that they operate independently from the Township. The governing body of the component unit is appointed by the Township Board of Trustees.

**Brownfield Redevelopment Authority.** The Brownfield Redevelopment Authority was created under Act 381, of P.A. 1996 of the State of Michigan to promote the revitalization, redevelopment, and reuse of contaminated, tax reverted, blighted, or functionally obsolete property. The Authority is governed by a five-member board appointed by the Township’s Board of Trustees. Additional information for this component unit can be obtained from the Township Treasurer’s office.

#### 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.

# The Charter Township of Alpena

## Notes to the Financial Statements

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

#### C. Basis of Presentation.

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.

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 Township has the following township special revenue funds, both of which are considered major funds:

**Public Safety Fund.** This fund is used for the activities related to the fire department.

**American Rescue Plan Act Fund.** This fund is used to account for the grant funds received under the American Rescue Plan Act.

**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 Charter Township of Alpena

## Notes to the Financial Statements

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

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.

#### **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.

There was no allowance for doubtful accounts as of March 31, 2022.

**Special Assessment Receivables.** The Township has five special assessment levies that are recorded as a special assessment receivable in the General Fund consisting of \$118,468 at March 31, 2022. These levies are collected on behalf of another governmental unit, consequently, there is a due to other government recorded for a total amount of \$160,166 at March 31, 2022, consisting of the \$118,468 receivable and the amount of collections that have yet to be distributed of \$41,698. 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 \$32,838 at March 31, 2022. During the year ended March 31, 2022, the Township recognized \$21,149 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

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### 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 31<sup>st</sup> 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.

**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.



# The Charter Township of Alpena

## Notes to the Financial Statements

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

- *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 2021 tax is levied and collectible on December 1, 2021 and is recognized as revenue in the year ended March 31, 2022 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 \$64,399 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.

**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.

**Reclassifications.** Certain items reported in the March 31, 2021, financial statements may have been reclassified to conform to the presentation for the current year.

# The Charter Township of Alpena

## Notes to the Financial Statements

### 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 1<sup>st</sup>, 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 1<sup>st</sup>, prior to March 31<sup>st</sup>. 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:

<u>Budget Item</u>	<u>Final Appropriation</u>	<u>Expended</u>	<u>Variance</u>
<b>General Fund</b>			
General government			
Board of trustess	\$ 107,983	\$ 108,089	\$ (106)
Board of review	3,574	3,582	(8)
Other financing sources (uses)			
Transfers out	(229,749)	(262,592)	(32,843)
<b>American Rescue Plan Act Fund</b>			
General government			
Bank fees	-	9	(9)

# The Charter Township of Alpena

## Notes to the Financial Statements

### 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>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Activities</u>	<u>Component Unit</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 3,103,273	\$ 864,330	\$ 7,537	\$ 676	\$ 3,975,816
Restricted cash	-	3,957,248	-	-	3,957,248
Total	<u>\$ 3,103,273</u>	<u>\$ 4,821,578</u>	<u>\$ 7,537</u>	<u>\$ 676</u>	<u>\$ 7,933,064</u>

**Restricted Cash.** At March 31, 2022, a total of \$3,957,248 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.

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, 2022, the Township did not have any investments with ratings below prime.

**The Charter Township of Alpena**

Notes to the Financial Statements

**Note 3 – Deposits and Investments** *(continued)*

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

**Custodial Credit Risk – 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, 2022, \$6,935,447 of the Township’s bank balance of \$7,951,145 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.

**Note 4 – Capital Assets**

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

	<u>Balance 4/1/2021</u>	<u>Additions</u>	<u>Adjustments &amp; Retirements</u>	<u>Balance 3/31/2022</u>
<b>Governmental activities:</b>				
Capital assets, not depreciated				
Land	\$ 2,002,111	\$ -	\$ -	\$ 2,002,111
	<u>2,002,111</u>	<u>-</u>	<u>-</u>	<u>2,002,111</u>
Capital assets being depreciated				
Buildings and improvements	1,454,370	-	-	1,454,370
Equipment	1,478,854	457,204	(241,337)	1,694,721
	<u>2,933,224</u>	<u>457,204</u>	<u>(241,337)</u>	<u>3,149,091</u>
Less accumulated depreciation				
Buildings and improvements	(1,406,117)	(4,638)	-	(1,410,755)
Equipment	(1,012,515)	(150,411)	111,846	(1,051,080)
	<u>(2,418,632)</u>	<u>(155,049)</u>	<u>111,846</u>	<u>(2,461,835)</u>
Governmental activities capital assets, net	<u>\$ 2,516,703</u>	<u>\$ 302,155</u>	<u>\$ (129,491)</u>	<u>\$ 2,689,367</u>

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

Governmental activities:	
General government	\$ 19,544
Public safety	<u>135,505</u>
	<u>\$ 155,049</u>

**The Charter Township of Alpena**

Notes to the Financial Statements

**Note 4 – Capital Assets** *(continued)*

	Balance 4/1/2021	Additions	Adjustments & Retirements	Balance 3/31/2022
<b>Business-type activities:</b>				
Capital assets, not depreciated				
Land	\$ 17,030	\$ -	\$ -	\$ 17,030
	17,030	-	-	17,030
Capital assets, being depreciated				
Plant, property, & equipment	12,814,335	131,829	-	12,946,164
	12,814,335	131,829	-	12,946,164
Less accumulated depreciation				
Plant, property, & equipment	(6,245,703)	(224,270)	-	(6,469,973)
	(6,245,703)	(224,270)	-	(6,469,973)
Business-type activities capital, net	\$ 6,585,662	\$ (92,441)	\$ -	\$ 6,493,221

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

Business-type activities:

Public works	\$ 224,270
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**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 \$360,259,984 on which ad valorem taxes levied for the Township general operating purposes was 1.0130 mills. The Township also has special purpose tax levies. The tax rates for these levies were 1.4992 mills for fire protection and .6496 mills for apparatus and equipment for fire protection.

**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 Charter Township of Alpena

### Notes to the Financial Statements

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#### **Note 6 – Pension Plan** *(continued)*

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. Employees enrolled in the Money Purchase Retirement Plan have mandatory after-tax contributions of .325% of compensation. As established by board resolution, the Township contributes 9.5% of employees' compensation to the Governmental Non-ERISA Retirement Plan and 6.175% (not to exceed 25%) of employee compensation to the Money Purchase Retirement Plan. In accordance with plan requirements, the Township contributed \$55,525 and \$3,214 to the Governmental Non-ERISA Retirement Plan and Money Purchase Retirement Plan during the current year, respectively.

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**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>04/01/2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances,</u> <u>03/31/2022</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
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	\$ 110,169	\$ -	\$ (35,205)	\$ 74,964	\$ 37,016
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	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	149,351	-	(149,351)	-	-
Total direct borrowings and direct placements	111,896	-	(36,932)	74,964	37,016
Compensated absences	21,734	7,799	-	29,533	29,533
Total governmental activities	<u>\$ 133,630</u>	<u>\$ 7,799</u>	<u>\$ (36,932)</u>	<u>\$ 104,497</u>	<u>\$ 66,549</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)*

	Balances, 04/01/2021	Additions	Deductions	Balances, 03/31/2022	Due Within One Year
<b>Business-type activities:</b>					
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>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ 800,000</u>	<u>\$ 200,000</u>
Total other debt	1,000,000	-	(200,000)	800,000	200,000
Compensated absences	<u>2,526</u>	<u>10</u>	<u>-</u>	<u>2,536</u>	<u>2,536</u>
Total business-type activities	<u><u>\$ 2,002,526</u></u>	<u><u>\$ 10</u></u>	<u><u>\$ (400,000)</u></u>	<u><u>\$ 1,602,536</u></u>	<u><u>\$ 402,536</u></u>

**Bond discount.** The bond has a discount outstanding of \$7,525 as of March 31, 2022. 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 \$180,420 compared to the debt service requirements of \$237,200. 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, 2022.



**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
2023	\$ 37,016	\$ 1,793	\$ 200,000	\$ 25,283
2024	37,948	907	200,000	17,250
2025	-	-	200,000	9,100
2026	-	-	200,000	700
	<u>\$ 74,964</u>	<u>\$ 2,700</u>	<u>\$ 800,000</u>	<u>\$ 52,333</u>

**Note 8 – Short-Term Debt**

As of April 1, 2021, the Township’s governmental activities had not issued any short-term debt. In May 2021, the Township entered into a short-term debt agreement with a local financial institution for the purchase of a fire truck in the amount of \$208,014, which remained outstanding as of March 31, 2022.

**Note 9 – 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, 2022. The Township is not subject to any tax abatement agreements entered into by other governmental entities.

**Note 10 – 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 11 – Interfund Receivables, Payables and Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund 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	\$ 262,592	\$ -
General Fund	-	262,592

There are no interfund receivables or payables at March 31, 2022.

### Note 12 – 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 \$3,957,248 (through March 31, 2022), 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 \$9,436,148. 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.

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.

On May 3, 2021, the Circuit Court Judge granted the parties until December 6, 2022 to reach a settlement. The parties have been engaged in a series of facilitation sessions with a third party mediator and have hired a joint public utility rate consultant to assist in the settlement discussions. In the event the settlement negotiations are not successful, the Township will presumably return to trial in the Circuit Court.

**The Charter Township of Alpena**

Notes to the Financial Statements

**Note 13 – Governmental Fund Balances**

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

	General Fund	Public Safety Fund	American Rescue Plan Act Fund	Total
Fund balances:				
Restricted for:				
North Pointe Shores Road	\$ 40,918	\$ -		\$ 40,918
Equipment	-	377,221		377,221
	<u>40,918</u>	<u>377,221</u>		<u>418,139</u>
Committed for:				
Public safety	-	638,827		638,827
American Rescue Plan Act Fund	-	-	8	8
	<u>-</u>	<u>638,827</u>	<u>8</u>	<u>638,835</u>
Unassigned	<u>1,606,910</u>	<u>-</u>		<u>1,606,910</u>
Total governmental funds	<u>\$ 1,647,828</u>	<u>\$ 1,016,048</u>	<u>\$ 16</u>	<u>\$ 2,663,884</u>

**Note 14 – Subsequent Events**

Management has evaluated subsequent event through September 20, 2022 the date on which the final statements were made available to be issued.

The Board approved an estimated \$150,342 of eligible American Rescue Plan Act funds to be used on several projects, including \$67,559 for M-32 lighting, \$45,500 for water upgrades, and \$37,283 for security upgrades.

In April 2022, the Township paid the entire principal balance of the short-term debt outstanding of \$208,014.

In May 2022, the Township’s Board of Directors approved agreements with the Alpena County Road Commission for dust control in the amount of \$30,200 and gravel in the amount of \$62,192.

In May 2022, the Township was awarded \$41,597 from the State of Michigan’s First Responder Training and Recruitment Grant program.

**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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 373,300	\$ 373,300	\$ 372,448	\$ (852)
Other taxes	17,000	17,000	17,167	167
Special assessment income	25,000	25,000	21,149	(3,851)
Licenses and permits	130,700	168,007	208,784	40,777
State revenue	850,700	858,453	1,031,351	172,898
Charges for services	173,200	173,390	200,909	27,519
Investment income	2,000	2,000	5,621	3,621
North Pointe Shores assessment	40,000	40,000	38,126	(1,874)
Other revenue	3,450	10,084	10,005	(79)
<b>Total revenues</b>	<b>1,615,350</b>	<b>1,667,234</b>	<b>1,905,560</b>	<b>238,326</b>
<b>Expenditures</b>				
General government				
Board of trustees	99,414	107,983	108,089	(106)
Supervisor	88,428	84,308	77,947	6,361
Treasurer	161,874	160,256	144,288	15,968
Clerk	148,313	148,974	132,833	16,141
Assessor	212,352	216,143	197,732	18,411
Elections	47,135	45,308	10,626	34,682
Board of review	2,860	3,574	3,582	(8)
Buildings and grounds	114,537	162,706	69,786	92,920
Other	-	2,300	2,241	59
<b>Total general government</b>	<b>874,913</b>	<b>931,552</b>	<b>747,124</b>	<b>184,428</b>
Public safety				
Liquor law enforcement	21,409	22,811	21,696	1,115
Building inspection	137,160	121,511	108,241	13,270
Other inspections	47,500	59,100	57,029	2,071
Planning and zoning	15,647	18,847	16,432	2,415
<b>Total public safety</b>	<b>221,716</b>	<b>222,269</b>	<b>203,398</b>	<b>18,871</b>

(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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Expenditures</b> (continued)				
Public works				
Highway and streets	\$ 150,000	\$ 146,900	\$ 139,604	\$ 7,296
Health and welfare	47,201	47,201	33,157	14,044
Recreation and culture	4,000	4,000	3,479	521
Total expenditures	1,297,830	1,351,922	1,126,762	225,160
<b>Other Financing Sources (Uses)</b>				
Transfers out	(239,665)	(229,749)	(262,592)	(32,843)
<b>Net Change in Fund Balances</b>	77,855	85,563	516,206	430,643
<b>Fund Balance</b> , beginning of the year	1,131,622	1,131,622	1,131,622	-
<b>Fund Balance</b> , end of year	\$ 1,209,477	\$ 1,217,185	\$ 1,647,828	\$ 430,643

**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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 772,700	\$ 772,700	\$ 773,721	\$ 1,021
Federal revenue	-	589	-	(589)
Other intergovernmental revenue	39,000	39,000	39,000	-
Charges for services	2,500	6,001	2,514	(3,487)
Investment income	5,000	5,000	3,927	(1,073)
<b>Total revenues</b>	<b>819,200</b>	<b>823,290</b>	<b>819,162</b>	<b>(4,128)</b>
<b>Expenditures</b>				
Public safety				
Fire protection	994,018	1,123,798	1,091,468	32,330
Debt service	38,064	38,855	38,105	750
<b>Total expenditures</b>	<b>1,032,082</b>	<b>1,162,653</b>	<b>1,129,573</b>	<b>33,080</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	239,665	229,749	262,592	32,843
Proceeds from debt issuance	-	-	208,014	208,014
Proceeds from sale of capital assets	-	130,000	130,000	-
	<b>239,665</b>	<b>359,749</b>	<b>600,606</b>	<b>240,857</b>
<b>Net Change in Fund Balances</b>	<b>26,783</b>	<b>20,386</b>	<b>290,195</b>	<b>269,809</b>
<b>Fund Balance, beginning of the year</b>	<b>725,853</b>	<b>725,853</b>	<b>725,853</b>	<b>-</b>
<b>Fund Balance, end of the year</b>	<b>\$ 752,636</b>	<b>\$ 746,239</b>	<b>\$ 1,016,048</b>	<b>\$ 269,809</b>

**The Charter Township of Alpena**

Statement of Revenues, Expenditures and Changes in Fund Balances  
American Rescue Plan Act Fund - Budget and Actual

For the Year Ended March 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 17	\$ 17
Total revenues	<u>-</u>	<u>-</u>	<u>17</u>	<u>17</u>
<b>Expenditures</b>				
General government	<u>-</u>	<u>-</u>	<u>9</u>	<u>(9)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>9</u>	<u>(9)</u>
<b>Net Change in Fund Balances</b>	-	-	8	8
<b>Fund Balance, beginning of the year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance, end of the year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8</u></u>	<u><u>\$ 8</u></u>



## Communication with Those Charged with Governance at the Conclusion of the Audit

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, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *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 to you in a letter dated June 6, 2022. 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. No new accounting policies were adopted and the application of existing policies was not changed during 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 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. 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 September 20, 2022.

#### *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.

#### 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. 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).

- C. GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements.** This statement addresses accounting and financial reporting for arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset (such as infrastructure or other capital asset) for a period of time in exchange or exchange-like transaction. This statement also provides guidance for accounting and financial reporting for availability payment arrangements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in exchange for exchange-like transaction. The Township is currently evaluating the impact this standard will have on the financial statements when adopted.

The requirements of this statement are effective for reporting periods beginning after June 15, 2022, (the Township's March 31, 2024 fiscal year).

**D. GASB Statement No. 96 – Subscription-Based Information Technology Arrangements.** This statement expands on the new guidance for leases (GASB Statement No. 87) and applies to subscription-based information technology arrangements (“SBITAs”). Governments that have agreements that meet the definition of a SBITA will report to a right-to-use subscription asset, with a corresponding subscription liability and be required to disclose additional information. The Township is currently evaluating the impact this standard will have on the financial statements when adopted.

The requirements of this statement are effective for reporting periods beginning after June 15, 2022, (the Township’s March 31, 2024 fiscal year).

**E. GASB Statement No. 97 – Certain Component Unit Criteria and IRC Section 457 Deferred Compensation Plans.** This statement amends GASB Statements No. 14 and No. 84, and is a suppression of GASB Statement No. 32. The new statement amends the requirements for when to report defined contribution pension plans (such as 401k and 403b plans) as fiduciary component units and how to account for Section 457 deferred compensation plans. The township is currently evaluating the impact this standard will have on the financial statements when adopted.

The requirements of this statement are effective for reporting periods beginning after June 15, 2022, (the Township’s March 31, 2024 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 Kamp & Kraenzlein P.C.*

September 20, 2022

## Matters for Management's Consideration

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

In planning and performing our audit of 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) as of and for the year ended March 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered The Charter Township of Alpena'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.

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

### **Material Weaknesses**

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

#### **2022-001: Material Audit Adjustments**

As part of the audit process, it was necessary to propose audit adjustments to management. Management and the Board must develop internal controls to ensure that the Township is able to provide timely and accurate financial reports to its decision makers. The adjustments have been approved by Management as discussed in the Communication with Those Charged with Governance letter and included in the audited financial statements.

### **2022-002: Internal Control Over Financial Reporting – Capital Assets Records Prior to 2017**

The Township is required to maintain complete capital asset accounting records prior to 2017 allowing the Township the ability to safeguard its assets and accurately record information required in the Township's financial statements. The Township does not maintain adequate capital asset detailed records allowing for the accurate recording of capital assets and related accumulated depreciation/depreciation expense in the Water and Sewer Fund. Management of the Township was unable to locate complete and accurate detailed capital asset records for the Water and Sewer Funds. The accuracy of the Township's financial reporting is compromised due to the lack of capital asset detail. In addition, the responsible parties of the Township are unable to assure that all Township assets are accounted for and properly safeguarded. The auditor's opinion on the Township's financial statement is modified due to the lack of capital asset records in the Water and Sewer Fund.

The Township should be able to produce (at least annually) detailed capital asset records as part of the Township's financial reporting responsibilities. Records detailing all additions and retirements of assets must be maintained to support the capital asset records within the Township.

### **2022-003: Internal Control Over Financial Reporting – Financial Statement Preparation**

The Township is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements requires having in place, internal controls over recording, processing, reconciling and preparing financial statements. The Township has historically relied on its independent external auditors to assist in preparing the financial statements, related footnotes, and assist in the Management's Discussion and Analysis as part of its external financial reporting process. Accordingly, the Township has placed reliance on its external auditors who cannot be considered a part of the Township's internal controls.

It continues to be the decision of management that it is more cost effective to have the independent auditor's assist in the preparation of the Township's audited financial statements and related footnotes than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally. As a result of this condition, the Township lacks internal control over the financial statement preparation process and instead relied, in part, on its external auditors for assistance with this task. We would like to stress that this service is allowable under the professional code of ethics and is likely the most cost-effective method of preparing the financial statements.

### **2022-004: Segregation of Duties**

All governments are required to establish an internal control structure with segregation of responsibilities sufficient to provide reasonable assurance that errors (whether caused by error or fraud) will be prevented or detected by management on a timely basis. We remind you that an inherent weakness in your system of internal control exists because the limited size of your staff does not permit a complete segregation of duties. Without a complete segregation of duties, there is an increased risk that errors or fraud could occur and not be detected. As in the case with many governments of similar size, the Township lacks a sufficient number of accounting personnel involved in the financial reporting process in order to ensure a complete segregation of duties within the accounting function.

Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing the design of these controls and often have compensating controls to partially mitigate this deficiency. We recommend that management and the board continue to review financial statements and related supporting documentation, as is being conducted through monthly meetings.

## **Significant Deficiencies**

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

### **Finding Number 2022-005: Internal Control Over Financial Reporting and Noncompliance with Laws and Regulations - Failure to Comply with Budgeting Statutes**

The Michigan Department of Treasury Uniform Budget Manual requires that the Township amend the budget prior to incurring expenses in excess of amounts budgeted. Failure to analyze and timely amend the budget caused expenditures to exceed the authorized budget, which is a violation of Michigan statute. Decision makers need to be provided with timely and accurate financial information to make budgetary and resource allocation decisions. The Township failed to timely amend its budget, violating Michigan budgeting statutes, which caused expenses to be incurred in excess of amounts authorized.

It is important to note that for the fiscal year 2022 audit, management implemented internal control procedures that provided timely budget amendments. For 2022, the only significant under budgeted expense violation was the result of an audit adjustment that was not anticipated by management.

We recommend the Board adopt budgeting policies and procedures that ensures the Township implements an internal control system that follows all Michigan budgeting statutes and guidance. Quarterly budget reviews by the Board has been recommended by the Michigan Township Association.

### **Finding Number 2022-006: Internal Control Over Financial Reporting - Inventory in the Water Fund**

The Township has not accurately recorded inventory balances on its internal/external financial statements. Also, a detailed physical inventory count should also be performed at year-end. Adjustments to the Township's general ledger should be made periodically and at year-end. This will also enhance the Township's ability to safeguard its inventory assets.

At the time of issuance of the financial statements, management was implementing processes to determine inventory balances going forward. Based on conversations and information provided to us by management, we expect this funding to be removed for the 2023 fiscal year.

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

*Straley Lamp & Kraenzlein P.C.*

September 20, 2022



## **2022 Corrective Action Plan**

### **2022-001: Material Audit Adjustments**

**Management's Response and Corrective Action Plan:** The Township utilizes the assistance of a certified public accounting firm to assist with certain adjusting and closing entries in order to ensure accurate financial reporting. This process has been implemented prior to the date of this correction action plan.

### **2022-002: Internal Control Over Financial Reporting – Capital Assets Records Prior to 2017**

**Management's Response and Corrective Action Plan:** The Board of Trustees will move forward with having an outside consultant prepare a fixed asset schedule for our Water and Sewer and with assistance from the department supervisors. An accurate fixed asset schedule will allow the Township to record the related accumulated depreciation and depreciation expense accurately within the financial reporting process, in addition to having the ability to safeguard our assets.

### **2022-003: Internal Control Over Financial Reporting – Financial Statement Preparation**

**Management's Response and Corrective Action Plan:** Like many other governmental organizations, management has made an ongoing evaluation of the respective costs and benefits of obtaining internal knowledge versus utilizing external resources for the preparation of the financial statements. As with many organizations, the Township has determined that the additional benefits derived from implementing such an internal system would not outweigh the costs of utilizing external resources. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

### **2022-004: Segregation of Duties**

**Management's Response and Corrective Action Plan:** The Township recognizes the importance of segregation of duties as a critical element of internal controls. The Township also recognizes, like many smaller organizations, a complete segregation of duties would be cost prohibitive. It is the intent of the Board and management to utilize resources available to the best of their ability to provide segregation of duties and/or compensating internal controls whenever possible.



**Finding Number 2022-005: Internal Control Over Financial Reporting and Noncompliance with Laws and Regulations - Failure to Comply with Budgeting Statutes  
Management's Response and Corrective Action Plan:**

On September 10, 2019, the Board of Trustees adopted a new policies and procedures manual. The new manual utilizes the format of the Department of Treasury Uniform Budget Manual and follows the recommendations of the Michigan Township Association regarding timeliness and statutory responsibility. The new policies and procedures will continue to be used moving forward and will help to ensure procedures for budgeting occur timely.

**Finding Number 2022-006: Internal Control Over Financial Reporting - Inventory in the Water Fund**

**Management's Response and Corrective Action Plan:** The Township Department of Public Works has implemented a detailed physical inventory list. This procedure will continue to be performed on an annual basis. An adjustment will be made periodically to ensure proper inventory records, accuracy of financial statements and the safeguarding of our assets. The Board expects this issue to be corrected prior to the end of the of the 2023 fiscal year.

Dated: September 20, 2022