

**The Charter
Township of Alpena**

Audited Financial Statements

Year Ended March 31, 2025

The Charter Township of Alpena

Board of Trustees

Supervisor

Abbi Kaszubowski

Clerk

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Independent Auditors

Straley Lamp & Kraenzlein P.C.

Legal Counsel

Bauer, Florip & Wodja PLC
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 Audit of 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, 2025, 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
Enterprise Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Qualified Opinions on the Business-Type Activities and Enterprise Fund

In our opinion, except for the effects of the matter discussed 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 enterprise fund of the Township, as of March 31, 2025, 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 enterprise fund, and the aggregate remaining fund information of the Township as of March 31, 2025, 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 of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

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

Management has not been able to produce detailed records of the capital assets prior to 2017 in the enterprise fund/business-type activities. 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 enterprise fund. The amount by which this departure would affect the assets, net position, and expenses of the enterprise fund/business-type activities 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 26, 2025

The Charter Township of Alpena

Management's Discussion and Analysis

As management of The Charter Township of Alpena (the "Township") we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2024. Please read it in conjunction with the Township's financial statements.

Financial Highlights

- The Township's total net position increased \$2,733,491 as a result of this year's operations.
- The Township assets of \$17,331,473 exceeded its liabilities of \$1,022,475 by \$16,308,998.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$2,940,778, which represents 150% of the actual total General Fund expenditures and other financing uses for the fiscal year.
- The Township's Water and Sewer Fund net position increased \$2,245,913. Operating revenues decreased by \$215,693, operating expenses decreased by \$600,749, transfers in decreased by \$327,199, and nonoperating revenues/expenses increased by \$22,330 over the prior year. A special item increased by \$2,897,863, which pertained to a settlement adjustment disclosed further in Note 11.

Overview of the Financial Statements

This discussion and analysis is 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 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, community and economic development, recreation and culture, 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

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	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 3,988,596	\$4,145,133	\$ 3,967,214	\$ 5,269,921	\$ 7,955,810	\$ 9,415,054
Capital assets, net of depreciation	3,271,434	2,888,877	6,104,229	6,374,653	9,375,663	9,263,530
Total assets	7,260,030	7,034,010	10,071,443	11,644,574	17,331,473	18,678,584
Current liabilities	105,496	365,146	909,974	4,532,781	1,015,470	4,897,927
Non-current liabilities	7,005	8,913	-	196,237	7,005	205,150
Total liabilities	112,501	374,059	909,974	4,729,018	1,022,475	5,103,077
Net position:						
Net investment in capital assets	3,262,521	2,879,964	5,906,111	5,978,416	9,168,632	8,858,380
Restricted	167,208	138,890	-	-	167,208	138,890
Unrestricted	3,717,800	3,641,097	3,255,358	937,140	6,973,158	4,578,237
	<u>\$ 7,147,529</u>	<u>\$6,659,951</u>	<u>\$ 9,161,469</u>	<u>\$ 6,915,556</u>	<u>\$ 16,308,998</u>	<u>\$ 13,575,507</u>

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 \$16,308,998. Of this total, \$9,168,632 (56%) 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 \$167,208 (1%) 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 \$6,973,158 (43%) at March 31, 2025.

The Charter Township of Alpena

Management's Discussion and Analysis

Summary of Changes in Net Position:

	Governmental activities		Business-type activities		Totals	
	2025	2024	2025	2024	2025	2024
Program revenues:						
Charges for services	\$ 443,608	\$ 455,018	\$ 2,869,644	\$ 3,085,337	\$ 3,313,252	\$ 3,540,355
Operating grants and contributions	248,231	584,056	-	-	248,231	584,056
General revenues:						
Property taxes	1,244,252	1,173,508	-	-	1,244,252	1,173,508
State share revenue	1,051,248	1,061,870	-	-	1,051,248	1,061,870
Investment earnings	139,272	82,302	178,278	164,492	317,550	246,794
Other taxes and assessments	-	17,075	-	-	-	17,075
Other miscellaneous income	27,554	4,273	-	-	27,554	4,273
Gain (loss) on sale of capital assets	-	-	-	-	-	-
Total revenues	3,154,165	3,378,102	3,047,922	3,249,829	6,202,087	6,627,931
Expenses:						
General government	954,925	914,877	-	-	954,925	914,877
Public safety	1,311,155	1,155,571	-	-	1,311,155	1,155,571
Public works	278,800	174,149	3,707,372	3,115,175	3,986,172	3,289,324
Community and economic development	41,893	15,017	-	-	15,696	15,352
Health and welfare	35,141	36,081	-	-	35,141	36,081
Recreation and culture	33,709	3,020	-	-	33,709	3,020
Interest on long-term debt	3,464	2,398	-	-	3,464	2,398
Total expenses	2,659,087	2,301,113	3,707,372	3,115,175	6,366,459	5,416,288
Revenues over (under) expenditures	495,078	1,076,989	(659,450)	134,654	(164,372)	1,211,643
Other financing sources (uses)/special items:						
Transfers	(7,500)	(334,699)	7,500	334,699	-	-
Special item - settlement adjustment	-	-	2,897,863	-	2,897,863	-
Total other financing sources (uses)/special	(7,500)	(334,699)	2,905,363	334,699	2,897,863	-
Change in net position	487,578	742,290	2,245,913	469,353	2,733,491	1,211,643
Net position - beginning of the year	6,659,951	5,917,661	6,915,556	6,446,203	13,575,507	12,363,864
Net position - end of the year	\$ 7,147,529	\$ 6,659,951	\$ 9,161,469	\$ 6,915,556	\$ 16,308,998	\$ 13,575,507

Governmental activities

Governmental activities increased the Township's net position by \$487,578 in 2025 compared to \$742,290 in 2024. Revenue decreased in comparison to 2024 amounts, with an overall decrease of \$223,937. The overall decrease was primarily due to the decrease in operating grants and contributions of \$335,825, while property tax revenue increased by \$70,744 due to taxable values increasing. The decrease in operating grants and contributions is mainly attributable to the American Rescue Plan Act funding, which recognized \$125,370 of federal revenue in 2025 compared to \$537,556 of federal revenue recognized in 2024.

Total governmental expenses were \$357,974 more in 2025 compared to 2024. The increase is primarily due to public safety and public works expenses increasing by \$155,584 and \$104,651, respectively. The increase in the public safety function was mainly due to increases in payroll and related benefits and contractual agreements. The increase in public works is primarily the result of an increase in professional and contractual services for road work.

The Charter Township of Alpena

Management's Discussion and Analysis

The total cost of governmental activities this year was \$2,659,087. After subtracting the direct charges to those who directly benefited from the programs of \$433,608, the "public benefit" portion covered by property taxes, state revenue sharing, and other revenues was \$2,225,479 in 2025.

Business-type activities

The net position of the Township's business-type activities increased by \$2,245,913 in 2025 compared to a \$469,353 in 2024. Revenues decreased by \$201,907 while expenses increased \$592,197 in 2025 compared to 2024. The decrease in revenue is mainly attributable to a decrease in water and sewer sales. The main reason for the increase in expenses was due to increases in professional services due to additional legal expense pertaining to the ongoing litigation.

Financial Analysis of The Township's Funds

At March 31, 2025, the Township's governmental funds reported a combined fund balance of \$3,919,360, an increase of \$112,285 over the prior year. As of March 31, 2025, there was total of \$2,940,778 (75%) 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: \$167,208 (4%) is restricted to indicate that it is for a specific purpose of the fund, \$811,374 (21%) was committed by a board of trustees action.

The General Fund's fund balance increased \$353,945 from the prior year. Overall revenues increased by \$98,558 over the prior year, with most revenues remaining consistent with the prior year. The primary reason for the increase was an increase in other intergovernmental revenue of \$70,084 received for restricted purposes, and investment income of \$48,370. Overall expenditures experienced an increase of \$239,705. There was a transfer into the General Fund from the ARPA Fund of \$22,012 due to the Township utilizing American Rescue Plan Act funds for capital projects. There was also a transfer from the General Fund into the Public Safety Fund of \$288,276. The transfers into and from the General Fund combined with proceeds from the sale of capital assets of \$44,329, lead to a decrease in other financing sources (uses) of \$145,393 from 2024.

General Fund Budgetary Highlights

Actual revenues was less than the budget by \$129,981. The majority of this was attributable to state revenue being less than the budget by \$214,052, while investment income exceeded the budget by \$89,412. The original revenue budget was amended by an increase of \$194,712, which was due to an increase of budgeted licenses and permits of \$29,000, an increase of budgeted state revenue of \$61,500, an increase of budgeted other intergovernmental revenue of \$78,082, and an increase of budgeted other revenue of \$26,130.

Overall expenditures were \$478,632 less than budgeted. The final budget for expenditures increased from the original budget by \$230,092. This was primarily due to increases in general government of \$105,285, which increased for buildings and grounds maintenance and repairs and community and economic development of \$61,500 due to the Township updating their Master Plan. 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, 2025, 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 \$9,375,663 at March 31, 2025. During the year ended March 31, 2025, the Township had an increase of \$382,557 in governmental activities, as a result of capital asset additions exceeding depreciation and retirements, and a decrease of \$270,424 in business-type activities as a result of depreciation and retirements exceeding additions.

The Charter Township of Alpena

Management's Discussion and Analysis

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

Debt administration

At the end of the fiscal year, the Township had total debt outstanding in the amount of \$243,265, a decrease of \$194,748.

Long-term debt obligations consisted of a liability for compensated absences of \$34,352, a lease payable of \$8,913 and a water project special assessment bond of \$200,000.

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

Economic Factors and Next Year's Budgets and Rates

As the Township moves into fiscal year 2025-2026 the Township will continue to monitor and improve the internal control structure. Now that the Township is on the ninth 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 is in the process of creating its 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 \$24,572,582 in both real and personal property taxable values on which a millage (1.0103) is assessed; this figure does not take into effect an increase in new construction which will lead to an increase in property tax revenue. The Public Safety Fund is into its seventh year of a 1.5 mill for operating. 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 proposed to remain relatively stagnant, with an estimated decrease of about 1% going into fiscal year 2025-2026.

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, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 665,976	\$ 206,042	\$ 872,018	\$ 744
Restricted cash	-	500,910	500,910	-
Investments	3,152,691	2,735,692	5,888,383	-
Accounts receivable	2,150	77,511	79,661	-
Unbilled receivables	-	446,866	446,866	-
Due from other governments	167,972	-	167,972	-
Internal balances	(193)	193	-	-
Noncurrent assets:				
Capital assets not being depreciated	1,982,510	17,030	1,999,540	-
Capital assets being depreciated, net	1,288,924	6,087,199	7,376,123	-
Total assets	7,260,030	10,071,443	17,331,473	744
Liabilities				
Accounts payable	25,349	207,441	232,790	-
Accrued liabilities	19,031	5	19,036	-
Accrued interest payable	-	3,500	3,500	-
Due to other governments	9,887	-	9,887	-
Unearned revenues	14,969	-	14,969	-
Other claims	-	500,910	500,910	-
Noncurrent liabilities:				
Due within one year				
Bonds and loans payable	-	198,118	198,118	-
Lease payable	1,908	-	1,908	-
Compensated absences	34,352	-	34,352	-
Due in more than one year				
Lease payable	7,005	-	7,005	-
Total liabilities	112,501	909,974	1,022,475	-
Net Position				
Net investment in capital assets	3,262,521	5,906,111	9,168,632	-
Restricted for:				
Fire equipment	92,484	-	92,484	-
North Pointe Shores Road	74,724	-	74,724	-
Unrestricted	3,717,800	3,255,358	6,973,158	744
Total net position	\$ 7,147,529	\$ 9,161,469	\$ 16,308,998	\$ 744

The Charter Township of Alpena

Statement of Activities

For the Year Ended March 31, 2025

		Program Revenues	
		Charges for Services	Operating Grants and Contributions
	Expenses		
<u>Functions/Programs:</u>			
Primary Government:			
Governmental activities			
General government	\$ 954,925	\$ 386,287	\$ 22,012
Public safety	1,311,155	9,862	148,635
Public works	278,800	47,459	7,500
Community and economic development	41,893	-	-
Health and welfare	35,141	-	70,084
Recreation and culture	33,709	-	-
Interest on long-term debt	3,464	-	-
Total governmental activities	<u>2,659,087</u>	<u>443,608</u>	<u>248,231</u>
Business-type activities:			
Water and sewer	<u>3,707,372</u>	<u>2,869,644</u>	<u>-</u>
Total business-type activities	<u>3,707,372</u>	<u>2,869,644</u>	<u>-</u>
Total primary government	<u>\$ 6,366,459</u>	<u>\$ 3,313,252</u>	<u>\$ 248,231</u>
Component Units:			
Brownfield Redevelopment Authority	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property taxes

State shared revenue

Investment earnings

Other taxes and assessments

Other miscellaneous income

Transfers

Special item - settlement adjustment

Total general revenues and transfers

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	
\$ (546,626)	\$ -	\$ (546,626)	\$ -
(1,152,658)	-	(1,152,658)	-
(223,841)	-	(223,841)	-
(41,893)	-	(41,893)	-
34,943	-	34,943	-
(33,709)	-	(33,709)	-
(3,464)	-	(3,464)	-
(1,967,248)	-	(1,967,248)	-
-	(837,728)	(837,728)	-
-	(837,728)	(837,728)	-
(1,967,248)	(837,728)	(2,804,976)	-
-	-	-	-
1,244,252	-	1,244,252	-
1,051,248	-	1,051,248	-
139,272	178,278	317,550	-
-	-	-	-
27,554	-	27,554	-
(7,500)	7,500	-	-
-	2,897,863	2,897,863	-
2,454,826	3,083,641	5,538,467	-
487,578	2,245,913	2,733,491	-
6,659,951	6,915,556	13,575,507	744
\$ 7,147,529	\$ 9,161,469	\$ 16,308,998	\$ 744

The Charter Township of Alpena

Governmental Funds - Balance Sheet

March 31, 2025

	General Fund	Public Safety	(Nonmajor) American Rescue Plan Act Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 394,511	\$ 270,713	\$ 752	\$ 665,976
Investments	2,421,686	698,719	32,286	3,152,691
Due from other governments	167,972	-	-	167,972
Accounts receivable, net	2,150	-	-	2,150
Due from other funds	83,189	-	-	83,189
Total assets	<u>\$ 3,069,508</u>	<u>\$ 969,432</u>	<u>\$ 33,038</u>	<u>\$ 4,071,978</u>
Liabilities				
Accounts payable	\$ 19,765	\$ 5,584	\$ -	\$ 25,349
Accrued liabilities	16,397	2,634	-	19,031
Due to other funds	-	83,382	-	83,382
Due to other governments	9,846	41	-	9,887
Unearned revenues	7,998	-	6,971	14,969
Total liabilities	<u>54,006</u>	<u>91,641</u>	<u>6,971</u>	<u>152,618</u>
Fund Balances				
Restricted	74,724	92,484	-	167,208
Committed	-	785,307	26,067	811,374
Unassigned	2,940,778	-	-	2,940,778
Total fund balances	<u>3,015,502</u>	<u>877,791</u>	<u>26,067</u>	<u>3,919,360</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,069,508</u>	<u>\$ 969,432</u>	<u>\$ 33,038</u>	<u>\$ 4,071,978</u>

The Charter Township of Alpena

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

March 31, 2025

Fund balances - total governmental funds		\$	3,919,360
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	\$	6,041,212	
Less accumulated depreciation		<u>(2,769,778)</u>	
			3,271,434
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Lease payable		(8,913)	
Compensated absences		<u>(34,352)</u>	
			<u>(43,265)</u>
Total net position - governmental activities		\$	<u><u>7,147,529</u></u>

The Charter Township of Alpena

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

For the Year Ended March 31, 2025

	General Fund	Public Safety	(Nonmajor) American Rescue Plan Act Fund	Total Governmental Funds
Revenues				
Property taxes	\$ 442,881	\$ 646,459	\$ -	\$ 1,089,340
Other taxes	154,912	-	-	154,912
Special assessment income	47,459	-	-	47,459
Licenses and permits	289,988	-	-	289,988
State revenue	1,051,248	13,777	-	1,065,025
Federal revenue	-	-	125,370	125,370
Other intergovernmental revenue	70,084	48,839	-	118,923
Charges for services	48,946	13	-	48,959
Investment income	99,412	36,319	2,084	137,815
Other revenue	47,358	10	1,477	48,845
Total revenues	<u>2,252,288</u>	<u>745,417</u>	<u>128,931</u>	<u>3,126,636</u>
Expenditures				
Current				
General government	1,036,533	-	10	1,036,543
Public safety	246,868	1,384,762	-	1,631,630
Community and economic development	41,893	-	-	41,893
Public works	278,800	-	-	278,800
Health and welfare	35,141	-	-	35,141
Recreation and culture	33,709	-	-	33,709
Debt service	3,464	-	-	3,464
Total expenditures	<u>1,676,408</u>	<u>1,384,762</u>	<u>10</u>	<u>3,061,180</u>
Other Financing Sources (Uses)				
Transfers in	22,012	384,134	-	406,146
Transfers out	(288,276)	-	(125,370)	(413,646)
Proceeds from sale of capital assets	44,329	10,000	-	54,329
Total other financing sources (uses)	<u>(221,935)</u>	<u>394,134</u>	<u>(125,370)</u>	<u>46,829</u>
Net Change in Fund Balances	353,945	(245,211)	3,551	112,285
Fund Balance, beginning of the year	<u>2,661,557</u>	<u>1,123,002</u>	<u>22,516</u>	<u>3,807,075</u>
Fund Balance, end of the year	<u><u>\$ 3,015,502</u></u>	<u><u>\$ 877,791</u></u>	<u><u>\$ 26,067</u></u>	<u><u>\$ 3,919,360</u></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, 2025

Net change in fund balances - Total governmental funds	\$	112,285
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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	\$	(156,548)	
Capital outlay		565,905	
Proceeds from sale of capital assets		(54,329)	
Gain on disposals of capital assets		<u>27,529</u>	
			382,557

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

Principal payments on lease payable	1,576	
Change in long-term compensated absences	<u>(8,840)</u>	
		<u>(7,264)</u>

Change in net position of governmental activities	\$	<u><u>487,578</u></u>
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The Charter Township of Alpena

Proprietary Fund - Statement of Net Position

March 31, 2025

	Water and Sewer Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 206,042
Restricted cash	500,910
Investments	2,735,692
Accounts receivable	77,511
Due from other funds	193
Unbilled receivables	446,866
Total current assets	<u>3,967,214</u>
Noncurrent assets	
Capital assets not being depreciated	17,030
Capital assets being depreciated, net	6,087,199
Total noncurrent assets	<u>6,104,229</u>
Total assets	<u>10,071,443</u>
Liabilities	
Current liabilities	
Accounts payable	207,441
Accrued interest payable	3,500
Other accrued liabilities	5
Bonds payable, current portion	198,118
Other claims (Note 12)	500,910
Total current liabilities	<u>909,974</u>
Net Position	
Net investment in capital assets	5,906,111
Unrestricted	3,255,358
Total net position	<u>\$ 9,161,469</u>

The Charter Township of Alpena

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

For the Year Ended March 31, 2025

	Water and Sewer Fund
Operating Revenues	
Charges for services	\$ 2,805,212
Miscellaneous	64,432
Total operating revenues	2,869,644
Operating Expenses	
Salaries and wages	29,761
Employee benefits	17,122
Cost of water and sewer	1,736,211
Repairs and maintenance	180,038
Utilities	31,715
Supplies and durable goods	21,089
Professional services	1,393,891
Miscellaneous	16,142
Depreciation	270,424
Total operating expenses	3,696,393
Operating Income (Loss)	(826,749)
Nonoperating Revenues (Expenses)	
Interest income	178,278
Interest expense	(10,979)
Total nonoperating revenues (expenses)	167,299
Net income (loss) before transfers	(659,450)
Transfers and Special Item	
Special item - settlement adjustment	2,897,863
Transfers in	7,500
Net transfers and special item	2,905,363
Change in Net Position	2,245,913
Net Position , beginning of the year, restated	6,915,556
Net Position , end of the year	\$ 9,161,469

The Charter Township of Alpena

Proprietary Fund - Statement of Cash Flows

March 31, 2025

	Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 2,949,682
Payments to suppliers	(4,112,231)
Payments to employees	(33,300)
Net cash provided (used) by operating activities	<u>(1,195,849)</u>
Cash Flows from Noncapital and Related Financing Activities	
Internal activity - payments to other funds	2,507
Transfers from other funds	7,500
Net cash provided (used) by noncapital and related financing activities	<u>10,007</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on capital debt	(200,000)
Interest paid on capital debt	(12,598)
Net cash provided (used) by capital and related financing activities	<u>(212,598)</u>
Cash Flows from Investing Activities	
Purchase of investments	(2,495,128)
Proceeds from sale of investments	510,931
Interest/dividends received	178,278
Net cash provided (used) by investing activities	<u>(1,805,919)</u>
Net increase (decrease) in cash and cash equivalents	(3,204,359)
Cash and Cash Equivalents, beginning of the year	<u>3,911,311</u>
Cash and Cash Equivalents, end of the year	<u><u>\$ 706,952</u></u>

The Charter Township of Alpena

Proprietary Fund - (continued) Statement of Cash Flows

March 31, 2025

Reconciliation of operating income to net cash provided (used in) operating activities:	
Operating income (loss)	\$ (826,749)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	270,424
Net changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(35,232)
(Increase) decrease in unbilled receivables	(1,958)
(Increase) decrease in special assessments receivable	117,228
Increase (decrease) in accounts payable	(154,400)
Increase (decrease) in accrued payroll	(1,527)
Increase (decrease) in other accrued liabilities	<u>(563,635)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (1,195,849)</u></u>

The Charter Township of Alpena

Fiduciary Fund -
Statement of Fiduciary Net Position

March 31, 2025

	<u>Tax Collection Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 2,387</u>
Total assets	<u><u>\$ 2,387</u></u>
Liabilities	
Accounts payable	\$ 2,150
Due to other governments	<u>237</u>
Total liabilities	<u><u>\$ 2,387</u></u>

The Charter Township of Alpena

Fiduciary Fund -
Statement of Changes in Fiduciary Net Position

For the Year Ended March 31, 2025

	<u>Tax Collection Fund</u>
Additions	
Property taxes collected	\$ 13,253,141
Deductions	
Property taxes distributed	<u>13,253,141</u>
Change in Net Position	-
Net Position, beginning of the year	<u>-</u>
Net Position, end of the year	<u><u>\$ -</u></u>

The Charter Township of Alpena

Discretely Presented Component Unit
Statement of Net Position

March 31, 2025

	Brownfield Redevelopment Authority
Assets	
Cash and cash equivalents	\$ 744
Total Assets	<u>\$ 744</u>
Net Position	
Unrestricted	\$ 744
Total net position	<u>\$ 744</u>

The Charter Township of Alpena

Discretely Presented Component Unit Statement of Activities

For the Year Ended March 31, 2025

	<u>Program Revenues</u>			Net (Expense)
	<u>Operating</u>			Revenues and
	<u>Charges for</u>			Changes in
	<u>Expenses</u>	<u>Services</u>	<u>Grants and</u>	Net Position
			<u>Contributions</u>	
<u>Functions/Programs:</u>				
Brownfield Redevelopment Authority	\$ -	\$ -	\$ -	\$ -
Total component units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Change in net position				-
Net Position, beginning of the year				<u>744</u>
Net Position, end of the year				<u>\$ 744</u>

The Charter Township of Alpena

Notes to the Financial Statements

Note 1. Summary of Significant Policies

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

A. Township Operations.

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

B. Reporting Entity.

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

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.

Jointly Governed Organizations – Northeast Michigan Materials Management Authority. The Northeast Michigan Materials Management Authority (NMMMA) functions as a jointly governed organization between the County of Alpena, the Charter Township of Alpena, the City of Alpena, Green Township, Long Rapids Township, Maple Ridge Township, Ossineke Township, Sanborn Township, Wellington Township, and Wilson Township. NMMMA was established to furnish resources and materials recovery services and to acquire, own, improve, enlarge, extend, operate, and administer a resource and materials recovery system and facilities. The Township has no financial obligation to NMMMA. Complete financial statements can be obtained from NMMMA’s Treasurer’s office at 720 W. Chisholm Street, Alpena, MI 49707.

The Charter Township of Alpena

Notes to the Financial Statements

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

C. Basis of Presentation.

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

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

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. This is a nonmajor fund.

The Charter Township of Alpena

Notes to the Financial Statements

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

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

The only proprietary (enterprise) fund of the Township is the Water and Sewer Fund, a major 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 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, 2025.

The Charter Township of Alpena

Notes to the Financial Statements

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

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

Capital Assets. Capital assets are defined by the Township as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value of 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
Right-of-use equipment	5-6 years
Water and sewer lines	50 years

Leases. At the commencement of a lease, the Township initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Township determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Township uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Township generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Township is reasonably certain to exercise.

The Township monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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.

The Charter Township of Alpena

Notes to the Financial Statements

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

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 168 hours of paid time off with any paid time off in excess of 168 hours being paid out to the employee at 50% of the employees' hourly rate on March 31st of each year, other than Local 1859 Union employees who can rollover up to 400 hours with any paid time off in excess of 400 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.

- *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.

The Charter Township of Alpena

Notes to the Financial Statements

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

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 2024 tax is levied and collectible on December 1, 2024 and is recognized as revenue in the year ended March 31, 2025 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 \$63,940 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, 2024, financial statements may have been reclassified to conform to the presentation for the current year.

Special Item. As disclosed in Note 11, the Township has been involved in litigation for several years. During the fiscal year ended March 31, 2025, a portion of the case was settled, and management revised its estimate of the potential liability for the remaining open years. Because the settlement was within management's control and is considered infrequent in occurrence, it is reported as a special item. The transaction is presented separately in the proprietary fund statement of revenues, expenses, and changes in net position, and within the business-type activities column of the government-wide statement of activities. This special item increased net position by \$2,897,863.

Change in Accounting Principle. As of April 1, 2024, the Township adopted GASB Statement No. 101, *Compensated Absences*. This statement is required to be applied retroactively by restating financial statements, if practicable, for all prior periods presented. There was not a material impact to the Township as a result of implementation.

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.

The Charter Township of Alpena

Notes to the Financial Statements

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

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

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

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

<u>Budget Item</u>	<u>Final Appropriation</u>	<u>Expended</u>	<u>Variance</u>
General Fund			
General Government			
Other	\$ 2,750	\$ 7,663	\$ (4,913)
Other financing sources (uses)			
Transfers out	258,440	288,276	(29,836)

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	\$ 665,976	\$ 206,042	\$ 2,387	\$ 744	\$ 875,149
Restricted cash	-	500,910	-	-	500,910
Total	<u>\$ 665,976</u>	<u>\$ 706,952</u>	<u>\$ 2,387</u>	<u>\$ 744</u>	<u>\$ 1,376,059</u>
Investments, at fair value	<u>\$ 3,152,691</u>	<u>\$ 2,735,692</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,888,383</u>

The Charter Township of Alpena

Notes to the Financial Statements

Note 3. Deposits and Investments (continued)

Cash and investments as of March 31, 2025 consisted of the following:

	Primary Government	Component Units	Total
Bank deposits (demand accounts)	\$ 1,374,659	\$ 744	\$ 1,375,403
Cash on hand	656	-	656
Investments, at fair value			
Mutual fund securities	5,888,383	-	5,888,383
	<u>\$ 7,263,698</u>	<u>\$ 744</u>	<u>\$ 7,264,442</u>

Restricted Cash. At March 31, 2025, a total of \$500,910 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.

As of March 31, 2025, the Township investments were measured as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)	Moody's Rating	Percentage
Mutual fund-government securities	\$ 5,888,383	0.0027	AAa	100.0%
Total	<u>\$ 5,888,383</u>			<u>100%</u>
Portfolio weighted average maturity		<u>0.0027</u>		
1 day maturity equals .0027, 1 year equals 1.0000				

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 requires 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.

The Charter Township of Alpena

Notes to the Financial Statements

Note 3. Deposits and Investments *(continued)*

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's investment in the mutual fund-government securities is valued at a level 1 in the fair value hierarchy.

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, 2024, the Township did not have any investments with ratings below prime.

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

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2025, \$4,573,603 of the Township's bank balance of \$5,077,058 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

The Charter Township of Alpena

Notes to the Financial Statements

Note 4. Capital Assets

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

	Balance 4/1/2024	Additions	Adjustments & Retirements	Balance 3/31/2025
Governmental activities:				
Capital assets, not depreciated				
Land	\$ 2,002,111	\$ -	\$ (26,800)	\$ 1,975,311
Construction in progress	-	7,199	-	7,199
	<u>2,002,111</u>	<u>7,199</u>	<u>(26,800)</u>	<u>1,982,510</u>
Capital assets being depreciated				
Buildings and improvements	1,694,433	97,289	-	1,791,722
Equipment	1,793,995	461,417	-	2,255,412
Right-of-use equipment	11,568	-	-	11,568
	<u>3,499,996</u>	<u>558,706</u>	<u>-</u>	<u>4,058,702</u>
Less accumulated depreciation				
Buildings and improvements	(1,430,868)	(19,735)	-	(1,450,603)
Equipment	(1,180,893)	(134,610)	-	(1,315,503)
Right-of-use equipment	(1,469)	(2,203)	-	(3,672)
	<u>(2,613,230)</u>	<u>(156,548)</u>	<u>-</u>	<u>(2,769,778)</u>
Governmental activities capital assets, net	<u>\$ 2,888,877</u>	<u>\$ 409,357</u>	<u>\$ (26,800)</u>	<u>\$ 3,271,434</u>

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

Governmental activities:	
General government	\$ 27,066
Public safety	129,482
	<u>\$ 156,548</u>

The Charter Township of Alpena

Notes to the Financial Statements

Note 4. Capital Assets *(continued)*

Capital assets activity of the Township's business-type activities for the current year are as follows:

	Balance 4/1/2024	Additions	Adjustments & Retirements	Balance 3/31/2025
Business-type activities:				
Capital assets, not depreciated				
Land	\$ 17,030	\$ -	\$ -	\$ 17,030
	<u>17,030</u>	<u>-</u>	<u>-</u>	<u>17,030</u>
Capital assets, being depreciated				
Plant, property, & equipment	13,294,571	-	-	13,294,571
	<u>13,294,571</u>	<u>-</u>	<u>-</u>	<u>13,294,571</u>
Less accumulated depreciation				
Plant, property, & equipment	(6,936,948)	(270,424)	-	(7,207,372)
	<u>(6,936,948)</u>	<u>(270,424)</u>	<u>-</u>	<u>(7,207,372)</u>
Business-type activities capital, net	<u>\$ 6,374,653</u>	<u>\$ (270,424)</u>	<u>\$ -</u>	<u>\$ 6,104,229</u>

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

Business-type activities:	
Public works	<u>\$ 270,424</u>

Note 5. Property Taxes

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the Township tax rolls. For the current year, the taxable value for properties located within the Township was \$433,965,966 on which ad valorem taxes levied for the Township general operating purposes was 1.0103 mills. The Township also has a special purpose tax levy for fire protection. The tax rate for this levy was 1.4953 mills.

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

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 \$66,232 and \$3,432 to the Governmental Non-ERISA Retirement Plan and Money Purchase Retirement Plan during the current year, respectively.

Note 7. Long-Term Debt

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

	Balances, 4/1/2024	Additions	Deductions	Balances, 3/31/2025	Due Within One Year
Governmental activities:					
Compensated absences*	\$ 25,512	\$ 8,840	\$ -	\$ 34,352	\$ 34,352
Lease payable	10,489	-	(1,576)	8,913	1,908
Total governmental activities	<u>\$ 36,001</u>	<u>\$ 8,840</u>	<u>\$ (1,576)</u>	<u>\$ 43,265</u>	<u>\$ 36,260</u>

*The change in compensated absences' liability is presented as a net change.

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

Leases. The Township leases equipment from various third parties. Payments are generally a fixed monthly amount. Lease asset activity of the Township is included in Note 4.

The Charter Township of Alpena

Notes to the Financial Statements

Note 7. Long-Term Debt (continued)

	Balances, 4/1/2024	Additions	Deductions	Balances, 3/31/2025	Due Within One Year
Business-type activities:					
Other debt - special assessment bonds					
Alpena Township Water Project					
Special Assessment Bonds					
Amount of issue: \$3,915,000					
Maturing through 2025					
Interest rate ranges: 3.25%-4.25%					
Principal maturity range \$115,000 - \$200,000	\$ 400,000	\$ -	\$ (200,000)	\$ 200,000	\$ 200,000
Total other debt	400,000	-	(200,000)	200,000	200,000
Compensated absences	2,012	-	(2,012)	-	-
Total business-type activities	<u>\$ 402,012</u>	<u>\$ -</u>	<u>\$ (202,012)</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>

Bond discount. The bond has a discount outstanding of \$1,882 as of March 31, 2025. 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. 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, 2025.

The annual principal and interest requirements are as follows:

Year Ended M.	Governmental Activities		Business-type Activities	
	Lease payable		Other debt	
	Principal	Interest	Principal	Interest
2026	\$ 1,908	\$ 1,556	\$ 200,000	\$ 700
2027	2,311	1,153	-	-
2028	2,798	666	-	-
2029	1,896	124	-	-
	<u>\$ 8,913</u>	<u>\$ 3,499</u>	<u>\$ 200,000</u>	<u>\$ 700</u>

The Charter Township of Alpena

Notes to the Financial Statements

Note 8. Tax Abatement

The Township may enter into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within the Township. Each agreement would be negotiated under a state law, which would allow local units to abate property taxes for a variety of economic development purposes. The abatements may be granted to local businesses located within the Township or promising to relocate within the Township. Depending on the statute referenced for a particular abatement, the Township may grant abatements of up to 50% of annual property taxes through a direct reduction of the entity's property tax bill or not tax the entity on improvements to a property for a period of time, not to exceed twelve years. Depending on the terms of the agreement and state law, abated taxes may be subject to recapture upon default of the entity. The Township has not entered into any tax abatement agreements as of March 31, 2025. The Township is not subject to any tax abatement agreements entered into by other governmental entities.

Note 9. Risk Management

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

Note 10. 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. The American Rescue Plan Act Fund transferred funds to the General, Public Safety, and Water and Sewer Funds for eligible expenditures within the respective funds.

	Transfers In			Total
	General Fund	Public Safety Fund	Water and Sewer Fund	
<u>Transfers Out</u>				
General Fund	\$ -	\$ 288,276	\$ -	\$ 288,276
ARPA Fund	22,012	95,858	7,500	125,370
	<u>\$ 22,012</u>	<u>\$ 384,134</u>	<u>\$ 7,500</u>	<u>\$ 413,646</u>

The Charter Township of Alpena

Notes to the Financial Statements

Note 10. Interfund Receivables, Payables and Transfers *(continued)*

Interfund receivable and payable balances at March 31, 2025 are as follows:

	<u>Due from</u> <u>Public</u> <u>Safety Fund</u>
<u>Due to</u>	
General Fund	\$ 83,189
Water and Sewer Fund	<u>193</u>
	<u>\$ 83,382</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payment between funds are made. All amounts are expected to be repaid within one year.

Note 11. Contingencies and Claims

The Charter Township of Alpena has been involved in litigation since 2014 with the City of Alpena (the City) 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 \$500,910 (through March 31, 2025), 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 \$11,606,266. The Township had not historically recognized these late charges as a liability and management does not anticipate that any late charges will be owed, as the 1977 agreement between the parties prohibits these charges. 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 judgement, 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 were engaged in a series of facilitation sessions with a third-party mediator and hired a joint public utility rate consultant to assist in the settlement discussions. The settlement negotiations were not successful, and the case was returned to trial in the Circuit Court.

The Charter Township of Alpena

Notes to the Financial Statements

Note 11. Contingencies and Claims *(continued)*

In April 2024, a trial commenced. The Circuit Court issued a ruling that the City did not meet its burden and there would be no damages awarded to the City against the Township. The Circuit Court retained jurisdiction, and another trial was held in September 2024 regarding the equitable amounts the Township should pay the City for the cost of water and sewer services for the time period of 2014-2017. This trial concluded September 14, 2024.

In November 2024, the Circuit Court ordered the Township and the City to mediation with Montmorency County Probate Judge prior to returning to court December 19, 2024. During mediation, a settlement was reached for the time period of 2014-2017. The Township and City agreed to a settlement of \$525,000 and 15% of the interest earned on the escrow account, which amounted to \$36,534.

The settlement agreement also dictated the Township is to retain \$500,000 in the escrow account to negotiate a settlement for 2018 and thereafter. At the time a settlement is reached for these years, the City will also receive \$50,000 from the escrow account in addition to the amount the parties settle on.

Note 12. Governmental Fund Balances

The detail of the various components of governmental fund balances as of March 31, 2025 is as follows:

	General Fund	Public Safety Fund	American Rescue Plan Act Fund	Total
Fund balances:				
Restricted for:				
North Pointe Shores Road	\$ 74,724	\$ -	\$ -	\$ 74,724
Equipment	-	92,484	-	92,484
	74,724	92,484	-	167,208
Committed for:				
Public safety	-	785,307	-	785,307
American Rescue Plan Act Fund	-	-	26,067	26,067
	-	785,307	26,067	811,374
Unassigned	2,940,778	-	-	2,940,778
Total governmental funds	\$ 3,015,502	\$ 877,791	\$ 26,067	\$ 3,919,360

Note 13. Subsequent Events

Management has evaluated subsequent events through September 26, 2025 the date on which the final statements were made available to be issued.

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, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
Revenues				
Property taxes	\$ 399,100	\$ 399,100	\$ 442,881	\$ 43,781
Other taxes	142,082	142,082	154,912	12,830
Special assessment income	67,400	67,400	47,459	(19,941)
Licenses and permits	279,500	308,500	289,988	(18,512)
State revenue	1,203,800	1,265,300	1,051,248	(214,052)
Other intergovernmental revenue	-	78,082	70,084	(7,998)
Charges for services	85,675	85,675	48,946	(36,729)
Investment income	10,000	10,000	99,412	89,412
Other revenue	-	26,130	47,358	21,228
Total revenues	2,187,557	2,382,269	2,252,288	(129,981)
Expenditures				
General government				
Board of trustees	107,679	107,724	77,202	30,522
Supervisor	116,865	124,315	117,001	7,314
Treasurer	195,445	199,361	183,472	15,889
Clerk	171,751	174,365	163,179	11,186
Assessor	232,550	234,435	230,837	3,598
Elections	140,250	97,963	45,219	52,744
Board of review	3,777	3,777	2,295	1,482
Buildings and grounds	259,867	391,529	209,665	181,864
Other	2,750	2,750	7,663	(4,913)
Total general government	1,230,934	1,336,219	1,036,533	299,686
Public safety				
Liquor law enforcement	9,479	9,479	865	8,614
Building inspection	231,593	241,306	193,061	48,245
Other inspections	39,600	58,600	52,942	5,658
Total public safety	280,672	309,385	246,868	62,517
Community and economic development				
Planning and zoning	45,433	106,933	41,893	65,040

(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, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
Expenditures (continued)				
Public works				
Highway and streets	\$ 300,000	\$ 300,000	\$ 278,800	\$ 21,200
Health and welfare	59,400	64,400	35,141	29,259
Recreation and culture	8,500	34,630	33,709	921
Debt service	-	3,464	3,464	-
Total expenditures	1,924,939	2,155,031	1,676,408	478,623
Other Financing Sources (Uses)				
Transfers in	-	21,623	22,012	389
Transfers out	(239,256)	(258,440)	(288,276)	(29,836)
Proceeds from sale of capital assets	-	13,684	44,329	30,645
Total other financing sources (uses)	(239,256)	(223,133)	(221,935)	1,198
Net Change in Fund Balances	23,362	4,105	353,945	349,840
Fund Balance, beginning of the year	2,661,557	2,661,557	2,661,557	-
Fund Balance, end of year	\$ 2,684,919	\$ 2,665,662	\$ 3,015,502	\$ 349,840

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, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
Revenues				
Property taxes	\$ 601,000	\$ 601,000	\$ 646,459	\$ 45,459
State revenue	-	-	13,777	13,777
Other intergovernmental revenue	47,000	52,339	48,839	(3,500)
Charges for services	-	-	13	13
Investment income	-	11,705	36,319	24,614
Other revenue	-	3,000	10	(2,990)
Total revenues	<u>648,000</u>	<u>668,044</u>	<u>745,417</u>	<u>77,373</u>
Expenditures				
Public safety				
Fire protection	<u>1,339,625</u>	<u>1,487,308</u>	<u>1,384,762</u>	<u>102,546</u>
Debt service	<u>1,159</u>	<u>1,159</u>	<u>-</u>	<u>1,159</u>
Total expenditures	<u>1,340,784</u>	<u>1,488,467</u>	<u>1,384,762</u>	<u>103,705</u>
Other Financing Sources (Uses)				
Transfers in	333,705	358,989	384,134	25,145
Proceeds from sale of capital assets	-	3,000	10,000	7,000
	<u>333,705</u>	<u>361,989</u>	<u>394,134</u>	<u>32,145</u>
Net Change in Fund Balances	(359,079)	(458,434)	(245,211)	213,223
Fund Balance, beginning of the year	<u>1,123,002</u>	<u>1,123,002</u>	<u>1,123,002</u>	<u>-</u>
Fund Balance, end of the year	<u><u>\$ 763,923</u></u>	<u><u>\$ 664,568</u></u>	<u><u>\$ 877,791</u></u>	<u><u>\$ 213,223</u></u>

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, 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, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's system of 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:

Finding Number 2025-001: 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. It is noteworthy that management did implement controls and made significant improvements in the process of closing the accounting period. However, due to the complexities of accounting standards, material audit adjustments were still identified during the audit process. 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.

Finding Number 2025-002: 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 a 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.

Finding Number 2025-003: 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 internal controls in place 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.

Finding Number 2025-004: 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 is 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 2025-005: 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 expenditures 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.

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. The Michigan Township Association recommends quarterly budget reviews by the board. It is recommended the board follows this recommendation of quarterly budget reviews, at a minimum.

Finding Number 2025-006: 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.

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 26, 2025

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Charter Township of Alpena, Michigan (the "Township") for the year ended March 31, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in a letter dated June 5, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Township changed accounting policies related to subscription-based information technology arrangements by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 101, *Compensated Absences*, in 2025. There was no effect on net position as a result of this accounting change. 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.

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 12 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. The material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 26, 2025.

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. 102, Certain Risk Disclosures.** This statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. In addition, the statement requires a government to assess whether the event(s) associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If it is determined the criteria are met, the government is required to disclose (1) the concentration or constraint, (2) each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements, and (3) actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

The requirements of this statement are effective for reporting periods beginning after June 15, 2024, (the Township's March 31, 2026 fiscal year).

- B. GASB Statement No. 103, Financial Reporting Model Improvements.** This statement improves key components of the financial reporting model to enhance the effectiveness of providing information that is essential for decision making and assessing a government's accountability. Key changes include: (1) enhancements to management's discussion and analysis; (2) description and requirements for unusual or infrequent items; (3) changes to the presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; (4) new requirements for major component unit information; and (5) new requirements for budgetary comparison information, including its presentation as RSI and to show the variances between the original and final budget amounts.

The requirements of this statement are effective for reporting periods beginning after June 15, 2025, (the Township's March 31, 2027 fiscal year).

- C. GASB Statement No. 104, Disclosure of Certain Capital Assets.** Governments must provide detailed capital asset disclosures in accordance with GASB Statement No. 34, including information by major asset class. The new standard enhances the following requirements: (1) lease assets in accordance with GASB 87, right-to-use intangible assets in accordance with GASB 94, and subscription-based IT assets in accordance with GASB 96, must be disclosed separately by major underlying asset class; (2) other intangible assets must also be disclosed separately by major class; and (3) capital assets held for sale require additional disclosures if it is probable they will be sold within one year. In addition, disclosures must include: (1) ending balances (historical cost and accumulated depreciation) by major class; (2) any related debt for which the asset is pledged as collateral. These changes aim to improve transparency and provide users with clearer, more useful information about governmental capital assets.

The requirements of this statement are effective for reporting periods beginning after June 15, 2025, (the Township's March 31, 2027 fiscal year).

Restriction on Use

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

We wish to thank the staff of the Township for their assistance during the audit. We appreciate the opportunity to serve the Township. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Very truly yours,

Straley Lamp & Kraenzlein P.C.

September 26, 2025