

**City of Au Gres**

**Financial Statements**

**June 30, 2020**



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**City of Au Gres**  
**List of Elected and Appointed Officials**  
**June 30, 2020**

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Michael Hoadley - Mayor

Keith Edmonds - Mayor Pro Tem

Joe Warr - Councilman

Dan Heinrich - Councilman

Jon Sanford - Councilman

**Other Officers and Officials**

Dale Wiltse - City Manager

LaVonne Pritchard - City Clerk / Treasurer



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## Independent Auditors' Report

Management and the City Council  
City of Au Gres  
Au Gres, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Au Gres (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, 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.

As described in Note 1 to the financial statements, during the year ended June 30, 2020, the City adopted GASB Statement No. 84 *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, municipal employees' retirement system schedules and other post-employment benefit schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate 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.

## **Other Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
August 26, 2020

**City of Au Gres**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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Our discussion and analysis of the City of Au Gres' (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the City's financial statements.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.



**City of Au Gres**  
**Management's Discussion and Analysis**  
**June 30, 2020**

**The City as a Whole**

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current and other assets	\$ 2,355,529	\$ 2,386,088	\$ 1,965,402	\$ 1,764,808	\$ 4,320,931	\$ 4,150,896
Capital assets	2,866,500	3,050,077	2,404,278	2,549,033	5,270,778	5,599,110
Total assets	5,222,029	5,436,165	4,369,680	4,313,841	9,591,709	9,750,006
<b>Deferred outflows of resources</b>	43,902	105,947	26,906	64,933	70,808	170,880
<b>Liabilities</b>						
Current liabilities	103,802	108,307	47,408	58,559	151,210	166,866
Long-term liabilities	1,262,607	1,454,084	918,925	996,796	2,181,532	2,450,880
Total liabilities	1,366,409	1,562,391	966,333	1,055,355	2,332,742	2,617,746
<b>Net assets</b>						
Net investment in capital assets	2,626,845	2,939,672	1,847,278	1,968,033	4,474,123	4,907,705
Restricted	755,076	614,161	-	75,000	755,076	689,161
Unrestricted	517,601	425,888	1,582,975	1,280,386	2,100,576	1,706,274
Total net position	\$ 3,899,522	\$ 3,979,721	\$ 3,430,253	\$ 3,323,419	\$ 7,329,775	\$ 7,303,140

The net position of governmental activities is \$3,899,522 and \$3,430,253 for business type activities; of these amounts \$517,601 (governmental) and \$1,582,975 (business-type) are unrestricted net position.

**City of Au Gres**  
**Management's Discussion and Analysis**  
**June 30, 2020**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Revenue</b>						
Program revenue						
Charges for services	\$ 85,312	\$ 86,281	\$ 913,443	\$ 826,838	\$ 998,755	\$ 913,119
Operating grants and contributions	197,384	194,145	13,500	-	210,884	194,145
Capital grants and contributions	27,000	26,839	16,583	132,128	43,583	158,967
General revenue						
Property taxes	414,699	405,782	-	-	414,699	405,782
State-shared revenue	85,033	86,842	-	-	85,033	86,842
Unrestricted investment earnings (losses)	19,337	15,065	16,988	14,236	36,325	29,301
Transfers	15,000	(74,525)	(15,000)	74,525	-	-
Miscellaneous	4,189	16,904	76,005	74,684	80,194	91,588
Total revenue	<u>847,954</u>	<u>757,333</u>	<u>1,021,519</u>	<u>1,122,411</u>	<u>1,869,473</u>	<u>1,879,744</u>
<b>Program expenses</b>						
General government	197,646	217,763	-	-	197,646	217,763
Public safety	88,688	113,028	-	-	88,688	113,028
Public works	447,372	317,397	-	-	447,372	317,397
Community and economic development	-	600	-	-	-	600
Recreation and culture	170,642	165,828	-	-	170,642	165,828
Interest on long-term debt	23,805	25,388	-	-	23,805	25,388
Water, sewer, park and boat access harbor	-	-	914,685	803,715	914,685	803,715
Total program expenses	<u>928,153</u>	<u>840,004</u>	<u>914,685</u>	<u>803,715</u>	<u>1,842,838</u>	<u>1,643,719</u>
<b>Change in net position</b>	<u>\$ (80,199)</u>	<u>\$ (82,671)</u>	<u>\$ 106,834</u>	<u>\$ 318,696</u>	<u>\$ 26,635</u>	<u>\$ 236,025</u>

**Governmental Activities**

The City's total governmental activity revenues were \$847,954. Governmental activity expenses of \$928,153 were recorded for the year.

**Business Type Activities**

The City's total business-type activity revenues were \$1,021,519 and expenses were \$914,685.

**City of Au Gres**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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The City's business-type activity consists the following:

**Water Fund**

The City provides treated water to the City's residents. Raw water is purchased from Saginaw-Midland Water Supply System. The City also provides water to approximately 40 Au Gres Township customers, along US-23 west of the City. The City has a revenue bond debt for recent system wide improvements. The number of users is stable. There are additional testing requirements through the EPA for stage 2 qualifications that are increasing costs and lead and copper testing analysis.

**Sewer Fund**

The City also provides municipal sanitary sewer to its residents. The City's sanitary sewer system is relatively debt free and 1971 revenue bonds through USDA were paid off in 2008. The sewer fund continues to generate less revenue than operating expenses, and it was recently noted that the city could be penalized in future wastewater grant applications, due to low fund balance in the Sewer Fund. City Council has taken action to resolve that issue by increasing the rates annually.

**Park Fund**

The City hired a new park manager and has seen an increase in revenues due to expanded office hours and selling ice, wood, night crawlers, etc. The campground provides opportunities for families with the construction of a new bike path and kayak paddling. Walleye fishing is a big draw also in the early months of the season.

**Boat Access and Harbor Fund**

The City regained ownership of the harbor in fiscal year 2019. The City has received several grants and contributions to fund projects at the harbor. These include a farmer's market pavilion, kayak launch, splash pad and several other upgrades to existing structures.

The Parks and Recreation Master Plan is updated every five years and has been updated as of January 2019. The plan was originally adopted at the June 2007 regular City Council meeting and needs to be amended to be eligible for DNR Recreation Funds. A farmer's market has recently been introduced weekly to draw additional people to the park and downtown area.

**City of Au Gres Funds**

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as State of Michigan Act 51, in the Major and Local Street funds.

The City's major governmental funds include the following:

**General Fund**

Functions relating to the general governmental activities of the City, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. This fund had a increase in fund balance of \$70,292.

**City of Au Gres**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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**Capital Projects Fund**

The City refinanced the bond in fiscal year 2016 and set a new project list which includes, but is not limited to, new water digital heads, painting the water tower, cleaning out sewer ponds, etc. This new bond was for \$995,000 and payments are schedule through May 2030.

The City's major enterprise funds include the following:

**Sewer Fund**

This fund covers the operations of the City's Sewage Treatment Plant and the maintenance and construction of the sewer distribution system. The sewage treatment fund has recently retired 1971 revenue bonds and a 1971 general obligation bond which was levied on taxes. Sewer system revenues are not keeping pace with existing expenditures. The City increased rates in January 2018.

**Water Fund**

This fund finances the operation of the Water Treatment Plant and the entire transmission and distribution system. The City presently has a contract with Au Gres Township and those property owners provide additional estimated revenues of \$30,000. All revenues to operate the Water Plant and distribution system are derived from user fees. Water system revenues are not keeping pace with existing expenditures. The City increased rates in January 2018.

**Park Fund**

This fund covers the operation of the City's Riverfront Campground and the maintenance of the park buildings, mowing park grounds, and maintaining repairing recreation facilities including basketball courts, tennis courts, playground equipment, riverfront walkway, etc. All revenues to operate the Campground are derived from user fees from campers using the campground. No other user fees are collected from users of city recreation facilities.

**Harbor Fund**

This fund covers the operation of the City's harbor and the maintenance of its buildings, grounds, and maintaining and repairing facilities such as the kayak launch, farmer's market pavilion and splash pad. The harbor fund is new in fiscal year 2019 and there is no fee to use the facilities. The harbor fund is funded by grants and contributions from local, state and federal agencies.

**General Fund Budgetary Highlights**

Over the course of the year, the City Council and City administration monitor and amend the budget to account for unanticipated events during the year. There are no significant changes to report.

**City of Au Gres**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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**Capital Asset and Debt Administration**

At the end of fiscal year 2019, the City has \$5,270,778, net of accumulated depreciation, invested in a wide range of capital assets, including land, buildings, machinery and equipment, and water and sewer systems, net of accumulated depreciation. The value of the governmental infrastructure assets, net of depreciation contained in this report, is \$2,866,500.

Debt reported in these financial statements is related to the construction of the above mentioned infrastructure assets and buildings and is reported as a liability on the statement of net assets. During fiscal year 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68 to begin recording the net pension liability. During fiscal year 2018, the City adopted Governmental Accounting Standards Board (GASB) Statement 75 to begin recording the total OPEB liability.

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

City officials continue to struggle with a slow economy in a community known for tourism and seasonal residences. Another struggle for the City is Proposal A; adopted in 1994, which is continuing to have impact on declining tax revenues. A decrease in revenues from State revenue sharing has nearly eliminated 23% gains from census growth the City of Au Gres experienced in the 2000 census. With 2010 Census figures, the City anticipates further decline of State Shared Revenues, in addition to cuts implemented already this current year by the State of Michigan.

In addition, many mandates imposed by State legislation are creating more work with less staff to comply with reporting demands. The General Tax Act, has been amended many times recently by our legislature, creating many additional taxing exemptions, additional work by City staff, and not offsetting revenues to implement this work load from other taxing jurisdictions, such as state, county and schools.

The ability to provide efficient public service by local government to its residents is declining. The services provided by local government are: police, fire, library, water, sewer, storm, streets, sidewalks, full time municipal office staff, safe and well maintained vehicles such as snow plows, street sweepers, sewer cleaners, backhoes, dump trucks, public safety issues such as street lights, street signs, police and fire responses; health and recreation opportunities such as parks and ball fields, bike paths, garbage pick-up, compost, cemeteries, and competent, trained staff to provide all of these services. The ability to provide these services are being diminished due to state legislation and mandates.

With property tax decline, due to foreclosures and other tax reduction incentives approved by state legislators, revenue sharing reduced, (and threatened to be eliminated), all costs increasing, mandates without offsetting compensation, and no revenue raising capacity approved by state legislature, the ability to provide many of the above services by local government is in jeopardy.

Rates have been increased to meet bond obligations for water issues. Other rates under jurisdiction of City have been increased to offset increased costs (such as utility, gas, etc) where possible. Capital projects have been scaled back in general fund operations, and the City has taken cost cutting approach where ever feasible while still attempting to maintain basic services to our residents.

**City of Au Gres**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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**Contacting the City of Au Gres' Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City of Au Gres' finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at city hall which can be rea

**City of Au Gres**  
**Statement of Net Position**  
**June 30, 2020**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 2,283,674	\$ 1,754,053	\$ 4,037,727	\$ 773,148
Investments	29,608	-	29,608	-
Accounts receivable				
Taxes	14,921	-	14,921	-
Customers	9,493	94,053	103,546	-
Accrued interest and other	-	182	182	-
Due from other units of government	30,240	50,365	80,605	-
Internal balances	(12,749)	12,749	-	-
Due from component unit	342	-	342	-
Restricted investments - USDA bond reserve	-	54,000	54,000	-
Capital assets not being depreciated	389,706	16,163	405,869	63,036
Net capital assets being depreciated	2,476,794	2,388,115	4,864,909	151,502
Total assets	<u>5,222,029</u>	<u>4,369,680</u>	<u>9,591,709</u>	<u>987,686</u>
<b>Deferred outflows of resources</b>				
Deferred amount relating to net pension liability	<u>43,902</u>	<u>26,906</u>	<u>70,808</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

**City of Au Gres**  
**Statement of Net Position**  
**June 30, 2020**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Accounts payable	\$ 13,893	\$ 2,250	\$ 16,143	\$ -
Accrued and other liabilities	3,709	7,058	10,767	-
Due to primary government	-	-	-	342
Unearned revenue	2,200	12,100	14,300	-
Noncurrent liabilities				
Debt due within one year	84,000	26,000	110,000	-
Debt due in more than one year	645,000	531,000	1,176,000	-
Net pension liability	442,931	271,475	714,406	-
Total OPEB liability	174,676	116,450	291,126	-
Total liabilities	<u>1,366,409</u>	<u>966,333</u>	<u>2,332,742</u>	<u>342</u>
<b>Net position</b>				
Net investment in capital assets	2,626,845	1,847,278	4,474,123	214,538
Restricted for:				
Mosquito control	1,900	-	1,900	-
Major streets	259,018	-	259,018	-
Local streets	207,458	-	207,458	-
Capital projects	115,110	-	115,110	-
Library	171,590	-	171,590	-
Unrestricted	517,601	1,582,975	2,100,576	772,806
Total net position	<u>\$ 3,899,522</u>	<u>\$ 3,430,253</u>	<u>\$ 7,329,775</u>	<u>\$ 987,344</u>

See Accompanying Notes to the Financial Statements



**City of Au Gres**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities		Total
<b>Functions/Programs</b>								
<b>Primary government</b>								
<b>Governmental activities</b>								
General government	\$ 197,646	\$ 17,682	\$ 51,922	\$ -	\$ (128,042)	\$ -	\$ (128,042)	\$ -
Public safety	88,688	500	-	-	(88,188)	-	(88,188)	-
Public works	447,372	67,130	142,813	-	(237,429)	-	(237,429)	-
Recreation and culture	170,642	-	2,649	27,000	(140,993)	-	(140,993)	-
Interest on long-term debt	23,805	-	-	-	(23,805)	-	(23,805)	-
Total governmental activities	<u>928,153</u>	<u>85,312</u>	<u>197,384</u>	<u>27,000</u>	<u>(618,457)</u>	<u>-</u>	<u>(618,457)</u>	<u>-</u>
<b>Business-type activities</b>								
Sewer	279,482	263,435	-	-	-	(16,047)	(16,047)	-
Water	302,063	295,293	-	-	-	(6,770)	(6,770)	-
Park	170,052	204,597	-	-	-	34,545	34,545	-
Boat access and harbor	163,088	150,118	13,500	16,583	-	17,113	17,113	-
Total business-type activities	<u>914,685</u>	<u>913,443</u>	<u>13,500</u>	<u>16,583</u>	<u>-</u>	<u>28,841</u>	<u>28,841</u>	<u>-</u>
<b>Total primary government</b>	<u>\$ 1,842,838</u>	<u>\$ 998,755</u>	<u>\$ 210,884</u>	<u>\$ 43,583</u>	<u>(618,457)</u>	<u>28,841</u>	<u>(589,616)</u>	<u>-</u>
<b>Component unit</b>								
Tax Increment Financing Authority	\$ 200,755	\$ -	\$ -	\$ -				<u>(200,755)</u>
<b>General revenues</b>								
Property taxes					414,699	-	414,699	259,666
State shared revenue					85,033	-	85,033	-
Unrestricted investment earnings					19,337	16,988	36,325	8,232
Miscellaneous					4,189	76,005	80,194	46,097
Transfers					15,000	(15,000)	-	-
Total general revenues and transfers					<u>538,258</u>	<u>77,993</u>	<u>616,251</u>	<u>313,995</u>
Change in net position					(80,199)	106,834	26,635	113,240
Net position - beginning of year					<u>3,979,721</u>	<u>3,323,419</u>	<u>7,303,140</u>	<u>874,104</u>
<b>Net position - end of year</b>					<u>\$ 3,899,522</u>	<u>\$ 3,430,253</u>	<u>\$ 7,329,775</u>	<u>\$ 987,344</u>

See Accompanying Notes to the Financial Statements

**City of Au Gres**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2020**

	Special Revenue Funds			Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Street Fund	Local Street Fund			
<b>Assets</b>						
Cash and cash equivalents	\$ 753,040	\$ 311,359	\$ 265,182	\$ 465,345	\$ 248,243	\$ 2,043,169
Investments	-	-	-	-	29,608	29,608
Receivables						
Taxes	-	-	-	-	14,921	14,921
Customers	9,493	-	-	-	-	9,493
Due from other units of government	10,999	12,312	6,929	-	-	30,240
Due from other funds	4,091	-	-	-	-	4,091
Due from component unit	342	-	-	-	-	342
<b>Total assets</b>	<u>\$ 777,965</u>	<u>\$ 323,671</u>	<u>\$ 272,111</u>	<u>\$ 465,345</u>	<u>\$ 292,772</u>	<u>\$ 2,131,864</u>
<b>Liabilities</b>						
Accounts payable	\$ 13,893	\$ -	\$ -	\$ -	\$ -	\$ 13,893
Due to other funds	-	-	-	-	70	70
Unearned revenue	2,200	-	-	-	-	2,200
<b>Total liabilities</b>	<u>16,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70</u>	<u>16,163</u>
<b>Deferred inflows of resources</b>						
Property taxes	-	-	-	-	14,921	14,921
<b>Fund balances</b>						
Restricted for						
Mosquito control	-	-	-	-	1,900	1,900
Major streets	-	323,671	-	-	-	323,671
Local streets	-	-	272,111	-	-	272,111
Police protection	-	-	-	-	4,102	4,102
Capital projects	-	-	-	465,345	115,110	580,455
Library	-	-	-	-	156,669	156,669
Unassigned						
General	761,872	-	-	-	-	761,872
<b>Total fund balances</b>	<u>761,872</u>	<u>323,671</u>	<u>272,111</u>	<u>465,345</u>	<u>277,781</u>	<u>2,100,780</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 777,965</u>	<u>\$ 323,671</u>	<u>\$ 272,111</u>	<u>\$ 465,345</u>	<u>\$ 292,772</u>	<u>\$ 2,131,864</u>

See Accompanying Notes to the Financial Statements

**City of Au Gres**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Position of Governmental Activities**  
**June 30, 2020**

<b>Total fund balances for governmental funds</b>	\$ 2,100,780
Total net position for governmental activities in the statement of net position is different because	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	2,774,686
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	14,921
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(3,709)
Compensated absences	(24,000)
Deferred outflows of resources	
Deferred outflows of resources resulting from net pension liability	43,902
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Bonds payable	(705,000)
Net pension liability	(442,931)
Total OPEB liability	(174,676)
Internal service funds are included as part of governmental activities.	315,549
<b>Net position of governmental activities</b>	<b>\$ 3,899,522</b>

See Accompanying Notes to the Financial Statements

**City of Au Gres**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2020**

	Special Revenue Funds			Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Street Fund	Local Street Fund			
<b>Revenues</b>						
Taxes	\$ 271,388	\$ -	\$ -	\$ -	\$ 137,481	\$ 408,869
Licenses and permits	9,601	-	-	-	-	9,601
State revenue sharing	83,469	-	-	-	1,564	85,033
Other state grants	27,000	88,534	52,279	-	500	168,313
Local contributions	52,507	2,000	-	-	-	54,507
Charges for services	60,658	9,077	-	-	-	69,735
Interest income	5,273	491	391	6,951	3,658	16,764
Rental income	5,740	-	-	-	-	5,740
Other revenue	3,786	-	-	-	214	4,000
Investment loss	-	-	-	-	3,010	3,010
Total revenues	<u>519,422</u>	<u>100,102</u>	<u>52,670</u>	<u>6,951</u>	<u>146,427</u>	<u>825,572</u>
<b>Expenditures</b>						
Current						
General government	125,732	-	-	-	-	125,732
Public safety	810	-	-	-	59,979	60,789
Public works	116,929	30,476	16,857	-	-	164,262
Recreation and culture	19,866	-	-	-	71,184	91,050
Other functions	96,352	-	-	-	-	96,352
Capital outlay	1,639	-	5,997	196,201	7,836	211,673
Debt service						
Principal retirement	60,000	-	-	-	-	60,000
Interest and fiscal charges	24,015	-	-	-	-	24,015
Total expenditures	<u>445,343</u>	<u>30,476</u>	<u>22,854</u>	<u>196,201</u>	<u>138,999</u>	<u>833,873</u>
Excess (deficiency) of revenues over expenditures	<u>74,079</u>	<u>69,626</u>	<u>29,816</u>	<u>(189,250)</u>	<u>7,428</u>	<u>(8,301)</u>

See Accompanying Notes to the Financial Statements

**City of Au Gres**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2020**

	Special Revenue Funds			Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Street Fund	Local Street Fund			
<b>Other financing sources (uses)</b>						
Transfers in	\$ 15,000	\$ -	\$ 40,755	\$ -	\$ -	\$ 55,755
Transfers out	(18,787)	(21,968)	-	-	-	(40,755)
Total other financing sources and (uses)	<u>(3,787)</u>	<u>(21,968)</u>	<u>40,755</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Net change in fund balance	70,292	47,658	70,571	(189,250)	7,428	6,699
Fund balance - beginning of year	<u>691,580</u>	<u>276,013</u>	<u>201,540</u>	<u>654,595</u>	<u>270,353</u>	<u>2,094,081</u>
<b>Fund balance - end of year</b>	<u>\$ 761,872</u>	<u>\$ 323,671</u>	<u>\$ 272,111</u>	<u>\$ 465,345</u>	<u>\$ 277,781</u>	<u>\$ 2,100,780</u>

See Accompanying Notes to the Financial Statements

**City of Au Gres**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2020**

<b>Net change in fund balances - Total governmental funds</b>	\$ 6,699
Total change in net position reported for governmental activities in the statement of activities is different because Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(166,984)
Capital outlay	16,291
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	5,830
Expenses are recorded when incurred in the statement of activities	
Accrued interest	210
Compensated absences	2,490
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	39,459
Net change in deferred outflow of resources related to the net pension liability	(62,045)
The statement of net position reports the total OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in total OPEB liability	5,528
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Repayments of long-term debt	60,000
Internal service funds are also included as governmental activities	12,323
<b>Change in net position of governmental activities</b>	<b>\$ (80,199)</b>

See Accompanying Notes to the Financial Statements

**City of Au Gres**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2020**

	Enterprise Funds				Total	Internal Service Fund
	Sewer	Water	Park	Boat Access and Harbor		
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$ 548,890	\$ 868,578	\$ 219,083	\$ 117,502	\$ 1,754,053	\$ 240,505
Receivables						
Customers	47,605	46,448	-	-	94,053	-
Accrued interest and other	-	182	-	-	182	-
Due from other units of government	-	5,819	-	44,546	50,365	-
Total current assets	<u>596,495</u>	<u>921,027</u>	<u>219,083</u>	<u>162,048</u>	<u>1,898,653</u>	<u>240,505</u>
Noncurrent assets						
Restricted investments - USDA bond reserve	-	54,000	-	-	54,000	-
Non-depreciable capital assets	15,663	-	500	-	16,163	-
Depreciable capital assets, net	<u>1,146,369</u>	<u>1,081,323</u>	<u>27,952</u>	<u>132,471</u>	<u>2,388,115</u>	<u>91,814</u>
Total noncurrent assets	<u>1,162,032</u>	<u>1,135,323</u>	<u>28,452</u>	<u>132,471</u>	<u>2,458,278</u>	<u>91,814</u>
 Total assets	 <u>1,758,527</u>	 <u>2,056,350</u>	 <u>247,535</u>	 <u>294,519</u>	 <u>4,356,931</u>	 <u>332,319</u>
<b>Deferred outflows of resources</b>						
Deferred amount relating to net pension liability	<u>9,913</u>	<u>9,914</u>	<u>7,079</u>	<u>-</u>	<u>26,906</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

**City of Au Gres**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2020**

	Enterprise Funds				Total	Internal Service Fund
	Sewer	Water	Park	Boat Access and Harbor		
<b>Liabilities</b>						
Current liabilities						
Accounts payable	\$ 2,250	\$ -	\$ -	\$ -	\$ 2,250	\$ -
Accrued and other liabilities	-	7,058	-	-	7,058	-
Due to other funds	69	2,846	-	42	2,957	1,064
Unearned revenue	6,050	6,050	-	-	12,100	-
Current portion of noncurrent liabilities	-	26,000	-	-	26,000	-
Total current liabilities	<u>8,369</u>	<u>41,954</u>	<u>-</u>	<u>42</u>	<u>50,365</u>	<u>1,064</u>
Noncurrent liabilities						
Long-term debt net of current portion	-	531,000	-	-	531,000	-
Net pension liability	100,017	100,018	71,440	-	271,475	-
Total OPEB liability	<u>58,225</u>	<u>58,225</u>	<u>-</u>	<u>-</u>	<u>116,450</u>	<u>-</u>
Total noncurrent liabilities	<u>158,242</u>	<u>689,243</u>	<u>71,440</u>	<u>-</u>	<u>918,925</u>	<u>-</u>
Total liabilities	<u>166,611</u>	<u>731,197</u>	<u>71,440</u>	<u>42</u>	<u>969,290</u>	<u>1,064</u>
<b>Net position</b>						
Net investment in capital assets	1,162,032	524,323	28,452	132,471	1,847,278	91,814
Unrestricted	<u>439,797</u>	<u>810,744</u>	<u>154,722</u>	<u>162,006</u>	<u>1,567,269</u>	<u>239,441</u>
Total net position	<u>\$ 1,601,829</u>	<u>\$ 1,335,067</u>	<u>\$ 183,174</u>	<u>\$ 294,477</u>	<u>3,414,547</u>	<u>\$ 331,255</u>
Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are reported with business-type activities					<u>15,706</u>	
<b>Net position of business-type activities</b>					<u>\$ 3,430,253</u>	

See Accompanying Notes to the Financial Statements



**City of Au Gres**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended June 30, 2020**

	Enterprise Funds					Internal Service Fund
	Sewer	Water	Park	Boat Access and Harbor	Total	
<b>Operating revenue</b>						
Customer fees	\$ 263,435	\$ 295,293	\$ 204,597	\$ 94,586	\$ 857,911	\$ -
Billings to other funds	-	-	-	-	-	61,541
Rental income	-	6,600	-	-	6,600	-
Other revenue	13,634	46,768	4,610	4,393	69,405	10,445
Total operating revenue	<u>277,069</u>	<u>348,661</u>	<u>209,207</u>	<u>98,979</u>	<u>933,916</u>	<u>71,986</u>
<b>Operating expenses</b>						
Personnel services	123,745	90,552	67,737	5,768	287,802	14,834
Supplies	17,656	36,741	13,939	527	68,863	8,446
Contractual services	7,791	9,340	10,408	7,617	35,156	-
Utilities	37,778	19,390	30,395	2,746	90,309	-
Repairs and maintenance	3,827	37,639	20,678	-	62,144	4,086
Other expenses	10,435	8,002	22,414	145,217	186,068	-
Depreciation	79,654	71,998	4,481	1,213	157,346	32,884
Total operating expenses	<u>280,886</u>	<u>273,662</u>	<u>170,052</u>	<u>163,088</u>	<u>887,688</u>	<u>60,250</u>
Operating income (loss)	<u>(3,817)</u>	<u>74,999</u>	<u>39,155</u>	<u>(64,109)</u>	<u>46,228</u>	<u>11,736</u>

See Accompanying Notes to the Financial Statements

**City of Au Gres**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended June 30, 2020**

	Enterprise Funds					Internal Service Fund
	Sewer	Water	Park	Boat Access and Harbor	Total	
<b>Nonoperating revenue (expenses)</b>						
Federal grant	\$ -	\$ -	\$ -	\$ 55,532	\$ 55,532	\$ -
Interest income	5,651	9,461	1,219	657	16,988	1,552
Gain on sale of assets	-	-	-	-	-	1,510
Interest expense	-	(29,472)	-	-	(29,472)	-
 Total nonoperating revenues (expenses)	<u>5,651</u>	<u>(20,011)</u>	<u>1,219</u>	<u>56,189</u>	<u>43,048</u>	<u>3,062</u>
 Income (loss) before transfers and capital contributions	1,834	54,988	40,374	(7,920)	89,276	14,798
Capital contributions	-	-	-	30,083	30,083	-
Transfers in	-	-	-	13,500	13,500	-
Transfers out	<u>(6,300)</u>	<u>(8,700)</u>	<u>(13,500)</u>	<u>-</u>	<u>(28,500)</u>	<u>-</u>
 Change in net position	(4,466)	46,288	26,874	35,663	104,359	14,798
 Net position - beginning of year	<u>1,606,295</u>	<u>1,288,779</u>	<u>156,300</u>	<u>258,814</u>	<u>3,051,374</u>	<u>316,457</u>
 <b>Net position - end of year</b>	<u>\$ 1,601,829</u>	<u>\$ 1,335,067</u>	<u>\$ 183,174</u>	<u>\$ 294,477</u>		<u>\$ 331,255</u>
 Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities					<u>2,475</u>	
 <b>Change in net position of business-type activities</b>					<u>\$ 106,834</u>	

See Accompanying Notes to the Financial Statements

**City of Au Gres**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2020**

	Enterprise Funds					Internal Service Fund
	Sewer	Water	Park	Boat Access and Harbor	Total	
<b>Cash flows from operating activities</b>						
Receipts from customers	\$ 276,309	\$ 345,277	\$ 209,207	\$ 99,252	\$ 930,045	\$ 10,445
Receipts from interfund users	-	-	-	-	-	61,541
Receipts from other funds	69	2,846	-	-	2,915	1,064
Payments to other funds	(108)	(2,022)	-	(35,919)	(38,049)	-
Payments to suppliers	(67,957)	(103,185)	(92,902)	(192,977)	(457,021)	(12,532)
Payments to employees	(123,745)	(90,552)	(67,737)	(5,768)	(287,802)	(14,834)
Payments for interfund services used	(6,523)	(4,974)	-	-	(11,497)	-
Net cash provided (used) by operating activities	<u>78,045</u>	<u>147,390</u>	<u>48,568</u>	<u>(135,412)</u>	<u>138,591</u>	<u>45,684</u>
<b>Cash flows from noncapital financing activities</b>						
Transfer from other funds	-	-	-	13,500	13,500	-
Transfers to other funds	(6,300)	(8,700)	(13,500)	-	(28,500)	-
Federal grant	-	-	-	55,532	55,532	-
Net cash provided (used) by noncapital financing activities	<u>(6,300)</u>	<u>(8,700)</u>	<u>(13,500)</u>	<u>69,032</u>	<u>40,532</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>						
Capital contributions	-	-	-	100,005	100,005	-
Purchases/construction of capital assets	(8,783)	(3,808)	-	-	(12,591)	-
Principal and interest paid on long-term debt	-	(53,472)	-	-	(53,472)	-
Proceeds from sale of capital assets	-	-	-	-	-	1,510
Net cash provided (used) by capital and related financing activities	<u>(8,783)</u>	<u>(57,280)</u>	<u>-</u>	<u>100,005</u>	<u>33,942</u>	<u>1,510</u>
<b>Cash flows from investing activities</b>						
Interest received	<u>5,651</u>	<u>9,461</u>	<u>1,219</u>	<u>657</u>	<u>16,988</u>	<u>1,552</u>
Net change in cash and cash equivalents	68,613	90,871	36,287	34,282	230,053	48,746
Cash and cash equivalents - beginning of year	<u>480,277</u>	<u>777,707</u>	<u>182,796</u>	<u>83,220</u>	<u>1,524,000</u>	<u>191,759</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 548,890</u>	<u>\$ 868,578</u>	<u>\$ 219,083</u>	<u>\$ 117,502</u>	<u>\$ 1,754,053</u>	<u>\$ 240,505</u>

See Accompanying Notes to the Financial Statements

**City of Au Gres**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2020**

	Enterprise Funds					
	Sewer	Water	Park	Boat Access and Harbor	Total	Internal Service Fund
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>						
Operating income (loss)	\$ (3,817)	\$ 74,999	\$ 39,155	\$ (64,109)	\$ 46,228	\$ 11,736
Adjustments to reconcile operating income (loss) to net cash from operating activities						
Depreciation and amortization expense	79,654	71,998	4,481	1,213	157,346	32,884
Noncash change in net pension liability	(8,910)	(8,910)	(6,365)	-	(24,185)	-
Noncash change in total OPEB liability	(1,843)	(1,843)	-	-	(3,686)	-
Changes in assets and liabilities						
Receivables (net)	(760)	(839)	-	-	(1,599)	-
Due from other units of government	-	(2,545)	-	-	(2,545)	-
Deferred outflows of resources	14,010	14,010	10,007	-	38,027	-
Accounts payable	(250)	-	1,290	-	1,040	-
Accrued and other liabilities	-	(304)	-	(35,919)	(36,223)	-
Due to other funds	(39)	824	-	(36,597)	(35,812)	1,064
<b>Net cash provided (used) by operating activities</b>	<u>\$ 78,045</u>	<u>\$ 147,390</u>	<u>\$ 48,568</u>	<u>\$ (135,412)</u>	<u>\$ 138,591</u>	<u>\$ 45,684</u>

See Accompanying Notes to the Financial Statements

**City of Au Gres**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2020**

	Pension Trust Fund	Custodial Fund
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 326
Investments	493,391	-
Total assets	493,391	\$ 326
<b>Liabilities</b>		
Accrued and other liabilities	-	\$ 326
<b>Net position</b>		
Restricted for:		
Pensions	\$ 493,391	

See Accompanying Notes to the Financial Statements

**City of Au Gres**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2020**

	<u>Pension Trust Fund</u>	<u>Custodial Fund</u>
<b>Additions</b>		
Contributions		
Employer	\$ 20,146	\$ -
Plan members	58,635	-
Total contributions	<u>78,781</u>	-
Investment earnings		
Change in market value	16,436	-
Property tax collections for other governments	<u>-</u>	<u>1,483,874</u>
Total additions	<u>95,217</u>	<u>1,483,874</u>
<b>Deductions</b>		
Payments of property tax to other governments	<u>-</u>	<u>1,483,874</u>
Change in net position	95,217	-
Net position - beginning of year	<u>398,174</u>	<u>-</u>
<b>Net position - end of year</b>	<u><u>\$ 493,391</u></u>	<u><u>\$ -</u></u>

See Accompanying Notes to the Financial Statements

**City of Au Gres**  
**Notes to the Financial Statements**  
**June 30, 2020**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting Entity**

City of Au Gres (the City) is governed by an elected five-member City Council. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Unit – The component unit column in the entity wide financial statements include the financial data of the City’s Tax Increment Financing Authority. The members of the Governing Board of the Tax Increment Financing Authority are appointed by the City Council. The budgets and expenditures of the Tax Increment Financing Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Tax Increment Financing Authority. The Tax Increment Financing Authority does not issue any other form of financial statements except as contained in the June 30, 2020 annual financial statements.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are 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 revenues 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible 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

**City of Au Gres**  
**Notes to the Financial Statements**  
**June 30, 2020**

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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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the maintenance and improvement activities for streets designated as "major" within the City. Funding is primarily through state-shared gas and weight taxes.

The Local Street Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is primarily through state-shared gas and weight taxes.

The Capital Projects Fund records the revenue and expense related to capital projects.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

The Park Fund accounts for the costs of maintaining a park and recreation program.

The Boat Access and Harbor Fund accounts for the costs of maintaining the boat launch and harbor areas.

Additionally, the City reports the following:

The Nonmajor Special Revenue Funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The Nonmajor Capital Projects Fund records the revenue and expense related to the library building.

The Internal Service Fund accounts for major machinery and equipment purchases and maintenance provided to other departments of the government on a cost reimbursement basis.

The Pension Trust Fund accounts for the activities of the defined contribution pension plan which accumulates resources for pension payments to qualified employees.

The Custodial Fund accounts for property tax and other deposits collected on behalf of other units and individuals.



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As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses 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 the sewer, water, park and boat access and harbor funds and the internal service fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer, water, park and boat access and harbor funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Assets, Liabilities, and Net Position or Equity**

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price.

Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The City considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on each July 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2019 taxable valuation of the government totaled \$27,903,438, on which ad valorem taxes consisted of 12.4445 mills for operating purposes, 3.0613 for police protection services, 1.2500 for mosquito control service, and 1.0000 for county roads. This resulted in \$233,837 for operating expenses, \$57,518 for police protection, \$23,484 for mosquito control services, and \$18,787 for county roads.

In addition, the Library fund receives an annual disbursement from property taxes collected by the Iosco-Arenac District Library. During the year the City received \$56,479.

Restricted assets – Certain revenue bonds of the Enterprise Funds require amounts to be set aside for a bond reserve. These amounts have been classified as restricted investments totaling \$54,000.

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Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated fair value of the item at the date of its donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Vehicles	5 to 10 years
Office Equipment	5 to 10 years
Computer Equipment	3 to 7 years
Land Improvements	10 to 20 years
Roads	25 years
Other Infrastructure	20 to 40 years
Heavy Duty Equipment	20 to 40 years
Buildings	25 to 40 years
Building Improvements	25 to 40 years
Water and Sewer Lines	25 to 40 years

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period. The City reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next

four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. The City also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

Compensated absences – Full time employees receive 40 hours annually after 6 months of employment and 80 hours annually every year thereafter. They are able to carry over up to 75 days (in total) (60 days for police), to the next year and upon retirement or death are paid out 50% of their total accumulated sick pay. Employees are able to comp their overtime hours. They are able to carry over up to 80 hours per fiscal year. Upon retirement, etc., the employee will be paid out 100% of the amount owed at the current hourly rate times one and a half. Several employees also receive vacation time. Vacation time is not allowed to be carried over. It is a use it or lost it system. Therefore, the amount of vacation time is not accrued for compensated absences. All sick and comp pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only for terminations as of yearend.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as

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other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported to MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB) – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the total OPEB liability of the City's OPEB plan (the Plan) and additions to/deductions from the Plan have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. The City reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions

and experience differences relating to the net pension liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. There were no deferred inflows related to the pension plan in the current year.

Fund equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose

Committed – amounts constrained on use imposed by the City's highest level of decision-making, its City Council. A fund balance commitment may be established, modified, or rescinded by a resolution of the City Council.

Assigned – amounts intended to be used for specific purposes, as determined by City Council. The City Council has granted the City Manager the authority to commit funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the City's policy is to

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consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Adoption of New Accounting Standards**

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria.

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components.

Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and

includes specific provisions about the following: (1) The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides postponement of effective dates for certain GASB Statements. This statement was effective upon issuance in May of 2020.

**Upcoming Accounting and Reporting Changes**

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible

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right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

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The City is evaluating the impact that the above GASBs will have on its financial reporting.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

The City is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal yearend.

Prior to June 30, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are held to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to June 30.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The City Manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the City Council.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

**Reserve for Debt Service**

The loan agreement covering the note payable to Rural Development requires that the City maintain a reserve account in the amount of the most recent bond payment. At year end, the reserve amount was in compliance with the minimum balance as set forth by Rural Development.

**Note 3 - Deposits and Investments**

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

	Cash and Cash Equivalents	Investments	Restricted Investments	Total
Governmental activities	\$ 2,283,674	\$ 29,608	\$ -	\$ 2,313,282
Business-type activities	1,754,053	-	54,000	1,808,053
Total primary government	4,037,727	29,608	54,000	4,121,335
Fiduciary funds	326	493,391	-	493,717
Component unit	773,148	-	-	773,148
Total	<u>\$ 4,811,201</u>	<u>\$ 522,999</u>	<u>\$ 54,000</u>	<u>\$ 5,388,200</u>

The break down between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 4,091,477	\$ 326	\$ 773,148	\$ 4,864,951
Investments in securities, mutual funds and similar vehicles	29,608	493,391	-	522,999
Petty cash and cash on hand	250	-	-	250
	<u>\$ 4,121,335</u>	<u>\$ 493,717</u>	<u>\$ 773,148</u>	<u>\$ 5,388,200</u>

**Interest rate risk** – The City does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

**Credit risk** – State statutes and the City's investment policy authorize the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers

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acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust funds are also authorized by Michigan Public Act 485 of 1996 (as amended) to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

*Concentration of credit risk* – The City has no policy that would limit the amount that may be issued in any one issuer.

*Custodial credit risk - deposits* – In the case of deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of yearend, \$4,732,268 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Note 4 - Fair Value Measurements**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2020:

- Common stocks of \$29,608 are valued using quoted market prices (Level 1 inputs)
- Mutual funds and similar vehicles of \$493,391 are valued using quoted market prices (Level 1 inputs)

**Note 5 - Unearned Revenue**

Unearned revenue is reported in connection with resources that have been received but not yet earned. At the end of the current fiscal year unearned revenue is as follows:

<b>Primary government</b>	
Tower rental	<u>\$ 14,300</u>

**Note 6 - Capital Assets**

Capital assets activity of the primary government for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 389,706	\$ -	\$ -	\$ 389,706
Capital assets being depreciated				
Land improvements	287,381	-	-	287,381
Infrastructure	2,935,900	-	-	2,935,900
Buildings, additions and improvements	1,203,470	-	-	1,203,470
Machinery and equipment	694,464	16,291	-	710,755
Total capital assets being depreciated	5,121,215	16,291	-	5,137,506
Less accumulated depreciation for				
Land improvements	283,387	601	-	283,988
Infrastructure	1,046,057	117,434	-	1,163,491
Buildings, additions and improvements	662,093	33,598	-	695,691
Machinery and equipment	469,307	48,235	-	517,542
Total accumulated depreciation	2,460,844	199,868	-	2,660,712
Net capital assets being depreciated	2,660,371	(183,577)	-	2,476,794
Governmental activities capital assets, net	\$ 3,050,077	\$ (183,577)	\$ -	\$ 2,866,500

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	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 16,163	\$ -	\$ -	\$ 16,163
Construction in progress	97,295	-	97,295	-
Total capital assets not being depreciated	<u>113,458</u>	<u>-</u>	<u>97,295</u>	<u>16,163</u>
Capital assets being depreciated				
Land improvements	366,564	97,295	-	463,859
Buildings, additions and improvements	34,933	-	-	34,933
Machinery and equipment	64,492	-	-	64,492
Vehicles	32,056	3,808	-	35,864
Water system	3,012,930	-	-	3,012,930
Sewer system	3,662,967	8,783	-	3,671,750
Total capital assets being depreciated	<u>7,173,942</u>	<u>109,886</u>	<u>-</u>	<u>7,283,828</u>
Less accumulated depreciation for				
Land improvements	314,631	2,766	-	317,397
Buildings, additions and improvements	29,209	137	-	29,346
Machinery and equipment	42,535	3,958	-	46,493
Vehicles	28,052	950	-	29,002
Water system	1,867,421	71,048	-	1,938,469
Sewer system	2,456,519	78,487	-	2,535,006
Total accumulated depreciation	<u>4,738,367</u>	<u>157,346</u>	<u>-</u>	<u>4,895,713</u>
Net capital assets being depreciated	<u>2,435,575</u>	<u>(47,460)</u>	<u>-</u>	<u>2,388,115</u>
Business-type capital assets, net	<u>\$ 2,549,033</u>	<u>\$ (47,460)</u>	<u>\$ 97,295</u>	<u>\$ 2,404,278</u>

Capital asset activity of the component unit for the current year is as follows:

	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
<b>Component Unit</b>				
Capital assets not being depreciated				
Construction in progress	\$ 17,716	\$ 45,320	\$ -	\$ 63,036
Capital assets being depreciated				
Buildings, additions and improvements	169,003	-	-	169,003
Machinery and equipment	54,801	-	-	54,801
Vehicles and equipment	28,667	-	-	28,667
Total capital assets being depreciated	<u>252,471</u>	<u>-</u>	<u>-</u>	<u>252,471</u>
Less accumulated depreciation for				
Buildings, additions and improvements	38,695	8,321	-	47,016
Machinery and equipment	20,231	5,055	-	25,286
Vehicles and equipment	28,667	-	-	28,667
Total accumulated depreciation	<u>87,593</u>	<u>13,376</u>	<u>-</u>	<u>100,969</u>
Net capital assets being depreciated	<u>164,878</u>	<u>(13,376)</u>	<u>-</u>	<u>151,502</u>
Component unit capital assets, net	<u>\$ 182,594</u>	<u>\$ 31,944</u>	<u>\$ -</u>	<u>\$ 214,538</u>

Depreciation expense was charged to programs of the primary government and component unit is as follows:

**Governmental activities**

General government	\$ 36,736
Public safety	15,029
Public works	50,095
Recreation and culture	65,124
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>32,884</u>
Total governmental activities	<u>199,868</u>

**Business-type activities**

Sewer	79,654
Water	71,998
Park	4,481
Boat Access and Harbor	<u>1,213</u>
Total business-type activities	<u>157,346</u>

Total primary government \$ 357,214

**Component unit**

Tax Increment Financing Authority \$ 13,376

**Construction Commitment**

The City has an active construction project as of June 30, 2020. At year end, the City's commitment with the contractor is as follows:

Project	Total Contract	Construction Commitment at Year End
Splash Pad	<u>\$ 58,200</u>	<u>\$ 29,100</u>



**City of Au Gres**  
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**Note 7 - Interfund Receivables, Payable, and Transfers**

The composition of interfund balances is as follows:

<b>Primary Government</b>		
Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Funds	\$ 70
General Fund	Sewer Fund	69
General Fund	Water Fund	2,846
General Fund	Boat Access and Harbor Fund	42
General Fund	Internal Service Funds	1,064
		<u>\$ 4,091</u>

<b>Component Unit</b>		
Receivable Fund	Payable Fund	Amount
Tax Increment Financing Authority Fund	General Fund	<u>\$ 342</u>

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

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General Fund	Local Street Fund	\$ 18,787
Major Street Fund	Local Street Fund	21,968
Sewer Fund	General Fund	6,300
Water Fund	General Fund	8,700
Park Fund	Boat Access and Harbor Fund	13,500
		<u>\$ 69,255</u>

The transfer between the park fund and the boat access and harbor fund was to transfer funds for projects at the harbor. The transfer between the general fund and the local street fund and the transfer between the major street fund and local street fund was to transfer funds for road projects. The transfers between water and sewer and general fund was to make contributions toward debt service expenditures.

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**Note 8 - Long-Term Debt**

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Bonds payable									
City improvement bonds	\$ 995,000	5/1/30	2.100 - 3.700%	\$60,000-\$80,000	\$ 765,000	\$ -	\$ 60,000	\$ 705,000	\$ 60,000
Compensated absences					26,490	28,210	30,700	24,000	24,000
Total governmental activities					<u>\$ 791,490</u>	<u>\$ 28,210</u>	<u>\$ 90,700</u>	<u>\$ 729,000</u>	<u>\$ 84,000</u>
<b>Business-type activities</b>									
Bonds payable									
Water Revenue Bonds, Series 1994	\$ 913,000	4/1/35	5.125%	\$26,000 - \$51,000	<u>\$ 581,000</u>	<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ 557,000</u>	<u>\$ 26,000</u>

**City of Au Gres**  
**Notes to the Financial Statements**  
**June 30, 2020**

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Bonds		Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 60,000	\$ 22,256	\$ 26,000	\$ 28,546
2022	65,000	20,876	27,000	27,214
2023	65,000	19,250	28,000	25,830
2024	65,000	17,496	30,000	24,396
2025	70,000	15,610	31,000	22,858
2026 - 2030	380,000	41,952	182,000	88,560
2031 - 2035	-	-	233,000	37,002
	<u>\$ 705,000</u>	<u>\$ 137,440</u>	<u>\$ 557,000</u>	<u>\$ 254,406</u>

**Note 9 - Jointly Governed Organizations**

**Au Gres-Sims-Whitney Fire and Rescue Authority**

The City is a member of an inter-governmental agreement to operate a joint fire and rescue authority with Sims, Au Gres, and Whitney Townships. The participating communities provide annual funding for its operations. During the current year, the City's portion was fulfilled through property taxes of \$18,802 for operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the year ended March 31, 2019 can be obtained from the administrative offices at: 201 N. Court, Au Gres, Michigan 48703.

**Note 10 - Risk Management**

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not

exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 11 - Employee Retirement and Benefit Systems**

**Defined benefit pension plan**

Plan description – The government participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer, statewide public employee defined benefit pension plan that covers all employees of the government. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Benefits provided – Benefits provided include plans with multipliers of 2.50%. Vesting periods range from 6 to 10 years. Normal retirement age is 60 with early retirement at 50 with 25 years of service and 55 with 15 years of service. Final average compensation is calculated based on 3 years. Member contributions are 0.00%.

Employees covered by benefit terms – At the December 31, 2019 valuation date, the following employees were covered by benefit terms:

Inactive employees entitled currently receiving benefits	9
Active employees	1
	<u>10</u>

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the

**City of Au Gres**  
**Notes to the Financial Statements**  
**June 30, 2020**

estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions are a flat \$10,416 per month. The pension plan is closed to new employees.

Net pension liability – The employer’s net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.50%; 2) Salary increases 3.00% in the long-term; 3) Investment rate of return of 7.35%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 2.50%.

Mortality rates used were based on the 2014 Group Annuity Mortality Table of a 50% male and 50% female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

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

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce

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

Asset Class	Target Allocation	Target Allocation Gross Rate Of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	60.00%	8.65%	5.19%	2.50%	3.70%
Global fixed income	20.00%	3.76%	0.75%	2.50%	0.30%
Private investments	20.00%	9.06%	1.81%	2.50%	1.25%
	100.00%		7.75%		5.25%

Discount rate – The discount rate used to measure the total pension liability is 8.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Au Gres**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Total Pension Liability**

Service cost	\$ 5,251
Interest on the total pension liability	167,977
Experience differences	18,237
Changes in actuarial assumptions	59,110
Benefit payments and refunds	<u>(215,844)</u>
Net change in total pension liability	34,731
Total pension liability - beginning	<u>2,205,005</u>
Total pension liability - ending (a)	<u>\$ 2,239,736</u>

**Plan Fiduciary Net Position**

Employer contributions	\$ 127,494
Pension plan net investment income (loss)	189,995
Benefit payments and refunds	(215,844)
Pension plan administrative expense	<u>(3,270)</u>
Net change in plan fiduciary net position	98,375
Plan fiduciary net position - beginning	<u>1,426,955</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,525,330</u>

Net pension liability (a-b) \$ 714,406

Plan fiduciary net position as a percentage of total pension liability	68.10%
Covered employee payroll	\$ 49,869
Net pension liability as a percentage of covered employee payroll	1,432.57%

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 8.0%, as well as what the employer’s net pension liability would be using a discount rate that is 1% point lower (7%) or 1% higher (9%) than the current rate.

1% Decrease	Current Discount Rate	1% Increase
<u>\$ 902,053</u>	<u>\$ 714,406</u>	<u>\$ 550,818</u>

Pension expense and deferred outflows of resources – For the year ended June 30, 2019 the employer recognized pension expense of \$169,009. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Total to Amortize</u>
Net difference between projected and actual earning on plan investments	\$ 4,562	\$ 4,562
Contributions subsequent to the measurement date*	<u>66,246</u>	<u>-</u>
Total	<u>\$ 70,808</u>	<u>\$ 4,562</u>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the subsequent year.

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

<u>Year ended June 30,</u>	
2021	\$ (5,085)
2022	4,931
2023	20,615
2024	<u>(15,899)</u>
	<u>\$ 4,562</u>

**City of Au Gres**  
**Notes to the Financial Statements**  
**June 30, 2020**

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**Defined Contribution Pension Plan**

The City of Au Gres Public Employees Retirement System (PERS) is a single employer PERS that administers the City's defined contribution pension plan for its employees. The PERS prepares and distributes separate financial statements as required by state statute but its financial statements are also included as an expendable trust fund of the City of Au Gres. The City of Au Gres is the only nonemployee contributor to the pension plan. Certain employees are covered by the defined contribution plan. As of June 30, 2020, the pension plan's membership was four employees.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. As established by state statute, all full-time municipal employees of the City must participate in the pension plan from the date they are hired. The City is required to contribute an amount equal to 8.00% of the employee's gross earnings. For the year ended June 30, 2020, the City contributed \$20,118 and employees contributed \$4,850.

**Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The law was changed to allow trusts to be created for the plan assets, thereby insulating the assets from the unit of government's general creditors. The City's plan

administrator, ICMA, created the trust and placed the assets of the plan within the trust. As a result, the plan assets are not shown on the City's financial statements to reflect that the City no longer has any fiduciary or administrative responsibility for the plan. For the year ended June 30, 2020, the City contributed \$2,838 and employees contributed \$17,631.

**Note 12 - Other Postemployment Benefits**

Plan description – The City's Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the City. Substantially all of the City's employees may become eligible for those benefits when the employee becomes eligible for the Michigan Employees' Retirement System and retires from the City.

Benefits provided – The Plan provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the City pays 90% of the entire cost of health insurance premiums for the employee and their spouse upon reaching the age of 60 and 20 years of full-time service.

Employees covered by benefit terms – At June 30, 2020, the plan membership consisted of the following:

Active members	<u>3</u>
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Contributions –The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). The City has made no contributions in advance.

Total OPEB liability – The total OPEB liability was measured as of June 30, 2020 as determined by an actuarial valuation as of that date, using the alternative measurement method.

**City of Au Gres**  
**Notes to the Financial Statements**  
**June 30, 2020**

Actuarial assumptions – The total OPEB liability was determined as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement.

**Assumptions:**

Actuarial cost method	Entry-age normal
Amortization method	Level dollar
Remaining amortization period	29 years, closed
Discount rate:	3.50%
Salary increases:	3.50%
Investment rate of return	3.50%
Retirement age	60
Mortality	Pub 2010 using scale MP-2018
Healthcare Cost Trend Rate	Pre-65: 8.25% gradually decreasing .25% per year to an ultimate rate of 4.50% Post-65: 6.50% gradually decreasing .25% per year to an ultimate rate of 4.50%

Discount rate – The discount rate used to measure the total OPEB liability was 3.00%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates.

**Total OPEB Liability**

Service cost	\$ 9,776
Interest	9,157
Changes in assumptions	<u>(28,147)</u>
Net change in total OPEB liability	(9,214)
Total OPEB liability - beginning	<u>300,340</u>
Total OPEB liability - ending	<u>\$ 291,126</u>

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.00%) or 1% higher (4.00%) than the current discount rate:

1% Decrease	Current Discount Rate	1% Increase
<u>\$ 307,402</u>	<u>\$ 291,126</u>	<u>\$ 270,442</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if were calculated using healthcare cost trend rates that are 1% lower (7.5%) or 1% higher (9.5%) than the current healthcare cost trend rates:

1% Decrease	Healthcare Cost Trend Rates	1% Increase
<u>\$ 254,523</u>	<u>\$ 291,126</u>	<u>\$ 332,683</u>

**Note 13 - Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**City of Au Gres**  
**Notes to the Financial Statements**  
**June 30, 2020**

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**Note 14 - Subsequent Event**

As result of the global coronavirus pandemic of 2020, many organizations' financial picture has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the global picture continues to change daily. While management is hopeful that the impact is temporary in nature, a description of known and anticipated circumstances expected to have a significant impact on the City as of the date of management's review is as follows:

Investments – The stock market has experienced significant, double digit percentage declines and extreme volatility over the past several weeks leading up to the report date. The City's investment performance is expected to experience similar volatility over the same period. The City currently has no immediate plans to liquidate investments and remains focused on long term appreciation.

Revenues and Liquidity – The City does not foresee any significant changes to income or expect to experience significant liquidity issues at this time, however, the effect the pandemic may have on taxable values is unknown. In addition, future state shared revenues are expected to be lower as a result of fewer sales tax collections.

Accounts Receivable – The City is prepared to see future delays in collection of accounts receivable; however, the extent of any future delays in payment remains uncertain. As of the date of the report, the City has not experienced significant issues.



**City of Au Gres**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 230,000	\$ 230,000	\$ 233,837	\$ 3,837
Other taxes	19,200	19,200	20,136	936
Penalties and interest	2,000	2,000	2,669	669
Administration fee	14,000	14,000	14,746	746
Licenses and permits	9,000	9,000	9,601	601
State revenue sharing	82,000	82,000	83,469	1,469
State grants	10,000	10,000	27,000	17,000
Local contributions	53,015	53,015	52,507	(508)
Charges for services	58,300	58,300	60,658	2,358
Interest income	500	6,000	5,273	(727)
Rental income	5,700	5,700	5,740	40
Other revenue	10,000	10,000	3,786	(6,214)
Transfer in	15,000	15,000	15,000	-
Total revenues	<u>508,715</u>	<u>514,215</u>	<u>534,422</u>	<u>20,207</u>
<b>Expenditures</b>				
General government				
City Council	4,700	4,700	2,548	(2,152)
Manager	22,500	30,800	29,845	(955)
Clerk	57,100	57,100	57,924	824
Board of review	2,100	2,100	1,741	(359)
Assessor	24,200	20,200	19,668	(532)
Elections	3,000	3,000	2,120	(880)
Buildings and grounds	11,700	11,700	7,853	(3,847)
Attorney	2,000	2,000	-	(2,000)
Cemetery	7,000	7,000	4,033	(2,967)
Total general government	<u>134,300</u>	<u>138,600</u>	<u>125,732</u>	<u>(12,868)</u>

**City of Au Gres**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Public safety				
Police	\$ 300	\$ 300	\$ 810	\$ 510
Public works				
Department of public works	38,800	38,800	29,200	(9,600)
Drains	200	200	200	-
Street lighting	32,000	32,000	31,669	(331)
Trash removal	50,300	56,000	55,860	(140)
Total public works	<u>121,300</u>	<u>127,000</u>	<u>116,929</u>	<u>(10,071)</u>
Community and economic development				
Planning	1,000	1,000	-	(1,000)
Recreation and culture				
Parks and recreation	19,800	21,800	19,866	(1,934)
Other functions				
Insurance and bonds	15,000	5,500	5,364	(136)
Unallocated employee fringe benefits	113,500	115,100	90,988	(24,112)
Total other functions	<u>128,500</u>	<u>120,600</u>	<u>96,352</u>	<u>(24,248)</u>
Capital outlay	2,200	2,200	1,639	(561)
Debt service				
Principal retirement	60,000	60,000	60,000	-
Interest and fiscal charges	24,515	24,515	24,015	(500)
Total debt service	<u>84,515</u>	<u>84,515</u>	<u>84,015</u>	<u>(500)</u>
Transfers out	18,000	18,000	18,787	787
Total expenditures	<u>509,915</u>	<u>514,015</u>	<u>464,130</u>	<u>(49,885)</u>
Excess (deficiency) of revenues over expenditures	(1,200)	200	70,292	70,092
Fund balance - beginning of year	691,580	691,580	691,580	-
<b>Fund balance - end of year</b>	<u>\$ 690,380</u>	<u>\$ 691,780</u>	<u>\$ 761,872</u>	<u>\$ 70,092</u>

**City of Au Gres**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Major Street Fund**  
**For the Year Ended June 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		Final Budget
<b>Revenues</b>				
Other state grants	\$ 81,500	\$ 81,500	\$ 88,534	\$ 7,034
Local contributions	2,000	2,000	2,000	-
Charges for services	7,400	7,400	9,077	1,677
Interest income	400	400	491	91
Total revenues	<u>91,300</u>	<u>91,300</u>	<u>100,102</u>	<u>8,802</u>
<b>Expenditures</b>				
Current				
Public works	45,400	45,750	30,476	(15,274)
Transfers out	20,000	23,500	21,968	(1,532)
Total expenditures	<u>65,400</u>	<u>69,250</u>	<u>52,444</u>	<u>(16,806)</u>
Excess of revenues over expenditures	25,900	22,050	47,658	25,608
Fund balance - beginning of year	<u>276,013</u>	<u>276,013</u>	<u>276,013</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 301,913</u>	<u>\$ 298,063</u>	<u>\$ 323,671</u>	<u>\$ 25,608</u>

**City of Au Gres**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Local Street Fund**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Other state grants	\$ 54,500	\$ 54,500	\$ 52,279	\$ (2,221)
Interest income	200	200	391	191
Transfers in	38,000	38,000	40,755	2,755
Total revenues	<u>92,700</u>	<u>92,700</u>	<u>93,425</u>	<u>725</u>
<b>Expenditures</b>				
Current				
Public works	21,750	22,550	16,857	(5,693)
Capital outlay	75,500	76,700	5,997	(70,703)
Total expenditures	<u>97,250</u>	<u>99,250</u>	<u>22,854</u>	<u>(76,396)</u>
Excess (deficiency) of revenues over expenditures	(4,550)	(6,550)	70,571	77,121
Fund balance - beginning of year	<u>201,540</u>	<u>201,540</u>	<u>201,540</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 196,990</u>	<u>\$ 194,990</u>	<u>\$ 272,111</u>	<u>\$ 77,121</u>

**City of Au Gres**  
**Required Supplementary Information**  
**Municipal Employees Retirement System of Michigan**  
**Schedule of Employer Contributions**  
**June 30, 2020**

**Schedule of Employer Contributions**

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 123,552	\$ 123,552	-	\$ 48,395	255.30%
2016	65,232	65,232	-	48,962	133.23%
2017	71,256	71,256	-	49,517	143.90%
2018	84,810	84,810	-	48,531	174.75%
2019	122,496	122,496	-	49,586	247.04%
2020	132,492	132,492	-	50,566	262.02%

**Notes to Schedule of Employer Contributions**

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 6 months prior to the beginning of the fiscal year in which contributions are reported.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll, Closed
Remaining amortization period	8 - 10 years
Asset valuation method	5-year smoothed value of assets
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.35%
Retirement age	60
Mortality	2014 Group Annuity Mortality Table of 50% male and 50% female blend

**City of Au Gres**  
**Required Supplementary Information**  
**Municipal Employees Retirement System of Michigan**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**June 30, 2020**

Fiscal year ended June 30,	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>						
Service cost	5,251	5,191	5,117	5,201	5,276	5,027
Interest on the total pension liability	167,977	169,852	172,169	174,415	167,238	169,385
Experience differences	18,237	17,332	9,556	8,195	26,413	-
Changes in actuarial assumptions	59,110	-	-	-	101,443	-
Other changes	-	-	-	(1)	5,224	5,293
Benefit payments and refunds	<u>(215,844)</u>	<u>(215,844)</u>	<u>(215,844)</u>	<u>(215,844)</u>	<u>(215,844)</u>	<u>(197,490)</u>
Net change in total pension liability	34,731	(23,469)	(29,002)	(28,034)	89,750	(17,785)
Total pension liability - beginning	<u>2,205,005</u>	<u>2,228,474</u>	<u>2,257,476</u>	<u>2,285,510</u>	<u>2,195,759</u>	<u>2,213,544</u>
Total pension liability - ending (a)	<u>2,239,736</u>	<u>2,205,005</u>	<u>2,228,474</u>	<u>2,257,476</u>	<u>2,285,509</u>	<u>2,195,759</u>
<b>Plan Fiduciary Net Position</b>						
Employer contributions	127,494	107,418	84,810	71,256	65,232	123,552
Pension plan net investment income (loss)	189,995	(59,231)	195,927	165,606	(23,723)	105,864
Benefit payments and refunds	(215,844)	(215,844)	(215,844)	(215,844)	(215,844)	(197,490)
Pension plan administrative expense	<u>(3,270)</u>	<u>(3,017)</u>	<u>(3,115)</u>	<u>(3,278)</u>	<u>(3,577)</u>	<u>(3,869)</u>
Net change in plan fiduciary net position	98,375	(170,674)	61,778	17,740	(177,912)	28,057
Plan fiduciary net position - beginning	<u>1,426,955</u>	<u>1,597,629</u>	<u>1,535,851</u>	<u>1,518,111</u>	<u>1,696,023</u>	<u>1,667,966</u>
Plan fiduciary net position - ending (b)	<u>1,525,330</u>	<u>1,426,955</u>	<u>1,597,629</u>	<u>1,535,851</u>	<u>1,518,111</u>	<u>1,696,023</u>
Net pension liability (a-b)	<u>714,406</u>	<u>778,050</u>	<u>630,845</u>	<u>721,625</u>	<u>767,398</u>	<u>499,736</u>
Plan fiduciary net position as a percentage of total pension liability	68.10%	64.71%	71.69%	68.03%	66.42%	77.24%
Covered payroll	\$ 49,869	\$ 49,248	\$ 48,547	\$ 49,345	\$ 50,249	\$ 47,877
Net pension liability as a percentage of covered employee payroll	1,432.57%	1,579.86%	1,299.45%	1,462.41%	1,527.19%	1,043.79%

Note: GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

**City of Au Gres**  
**Required Supplementary Information**  
**Other Postemployment Benefits**  
**Schedule of Employer Contributions**  
**June 30, 2020**

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 32,558	\$ 20,493	\$ 12,065	N/A*	N/A*
2019	26,620	2,360	24,260	N/A*	N/A*
2020	27,758	-	27,758	N/A*	N/A*

Note: GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

\*Payroll is not a part of this calculation

**Notes to Schedule of Contributions**

Alternative measurement method valuation date June 30, 2019

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry-age normal
Amortization method	Level dollar
Remaining amortization period	29 years, closed
Discount rate	3.50%
Salary increases	3.50%
Investment rate of return	3.50%
Retirement age	60
Mortality	Pub 2010 using scale MP-2018
Healthcare Cost Trend Rate	Pre-65: 8.25% gradually decreasing .25% per year to an ultimate rate of 4.50% Post-65: 6.50% gradually decreasing .25% per year to an ultimate rate of 4.50%

**City of Au Gres**  
**Required Supplementary Information**  
**Other Postemployment Benefits**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**June 30, 2020**

Fiscal year ended June 30,	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 9,776	\$ 11,297	\$ 10,203
Interest	9,157	6,704	5,985
Changes in assumptions	(28,147)	65,699	(30,695)
Benefit payments	-	(2,360)	(20,493)
Net change in total OPEB liability	(9,214)	81,340	(35,000)
Total OPEB liability - beginning	300,340	219,000	254,000
Total OPEB liability - ending (a)	\$ 291,126	\$ 300,340	\$ 219,000
Covered payroll	N/A*	N/A*	N/A*
Total OPEB liability as a percentage of covered employee payroll	N/A*	N/A*	N/A*

Note: GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

\*Payroll is not a part of this calculation



**City of Au Gres**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2020**

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Library	Mosquito	Police Fund	Library Building	
<b>Assets</b>					
Cash and cash equivalents	\$ 156,739	\$ 1,900	\$ 4,102	\$ 85,502	\$ 248,243
Investments	-	-	-	29,608	29,608
Receivables					
Taxes	14,921	-	-	-	14,921
<b>Total assets</b>	<u>\$ 171,660</u>	<u>\$ 1,900</u>	<u>\$ 4,102</u>	<u>\$ 115,110</u>	<u>\$ 292,772</u>
<b>Liabilities</b>					
Due to other funds	\$ 70	\$ -	\$ -	\$ -	\$ 70
<b>Deferred inflows of resources</b>					
Property taxes	14,921	-	-	-	14,921
<b>Fund balances</b>					
Restricted for					
Mosquito control	-	1,900	-	-	1,900
Police protection	-	-	4,102	-	4,102
Capital projects	-	-	-	115,110	115,110
Library	156,669	-	-	-	156,669
<b>Total fund balances</b>	<u>156,669</u>	<u>1,900</u>	<u>4,102</u>	<u>115,110</u>	<u>277,781</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 171,660</u>	<u>\$ 1,900</u>	<u>\$ 4,102</u>	<u>\$ 115,110</u>	<u>\$ 292,772</u>

**City of Au Gres**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2020**

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Library	Mosquito	Police Fund	Library Building	
<b>Revenues</b>					
Taxes	\$ 56,479	\$ 23,484	\$ 57,518	\$ -	\$ 137,481
State revenue sharing	-	-	1,564	-	1,564
Other state grants	-	-	500	-	500
Interest income	1,449	71	149	1,989	3,658
Other revenue	35	-	104	75	214
Investment income (loss)	-	-	-	3,010	3,010
Total revenues	<u>57,963</u>	<u>23,555</u>	<u>59,835</u>	<u>5,074</u>	<u>146,427</u>
<b>Expenditures</b>					
Current					
Public safety	-	-	59,979	-	59,979
Recreation and culture	47,502	23,682	-	-	71,184
Capital outlay	-	-	-	7,836	7,836
Total expenditures	<u>47,502</u>	<u>23,682</u>	<u>59,979</u>	<u>7,836</u>	<u>138,999</u>
Excess (deficiency) of revenues over expenditures	10,461	(127)	(144)	(2,762)	7,428
Fund balance - beginning of year	<u>146,208</u>	<u>2,027</u>	<u>4,246</u>	<u>117,872</u>	<u>270,353</u>
<b>Fund balance - end of year</b>	<u>\$ 156,669</u>	<u>\$ 1,900</u>	<u>\$ 4,102</u>	<u>\$ 115,110</u>	<u>\$ 277,781</u>

**City of Au Gres**  
**Other Supplementary Information**  
**Component Unit - Tax Increment Financing Authority**  
**Balance Sheet**  
**June 30, 2020**

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	<u>Component Unit</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 773,148
<b>Liabilities</b>	
Due to primary government	\$ 342
<b>Fund balances</b>	
Unassigned	<u>772,806</u>
<b>Total liabilities and fund balances</b>	<u>\$ 773,148</u>

**City of Au Gres**  
**Other Supplementary Information**  
**Component Unit - Tax Increment Financing Authority**  
**Reconciliation of Fund Balances to Net Position of Component Unit**  
**June 30, 2020**

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<b>Total component unit fund balances</b>	\$ 772,806
Total net position for component unit in the statement of net position is different because	
Capital assets used in component unit are not financial resources and therefore are not reported in the funds.	<u>214,538</u>
<b>Net position of component unit</b>	<u>\$ 987,344</u>

**City of Au Gres**  
**Other Supplementary Information**  
**Component Unit - Tax Increment Financing Authority**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 252,000	\$ 252,000	\$ 259,666	\$ 7,666
Interest income	3,000	3,000	8,232	5,232
Other revenue	<u>35,000</u>	<u>35,000</u>	<u>46,097</u>	<u>11,097</u>
Total revenues	<u>290,000</u>	<u>290,000</u>	<u>313,995</u>	<u>23,995</u>
<b>Expenditures</b>				
Current				
Community and economic development	135,115	135,115	125,000	(10,115)
Capital outlay	<u>311,000</u>	<u>311,000</u>	<u>107,699</u>	<u>(203,301)</u>
Total expenditures	<u>446,115</u>	<u>446,115</u>	<u>232,699</u>	<u>(213,416)</u>
Excess (deficiency) of revenues over expenditures	(156,115)	(156,115)	81,296	237,411
Fund balance - beginning of year	<u>691,510</u>	<u>691,510</u>	<u>691,510</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 535,395</u>	<u>\$ 535,395</u>	<u>\$ 772,806</u>	<u>\$ 237,411</u>

**City of Au Gres**  
**Other Supplementary Information**  
**Component Unit - Tax Increment Financing Authority**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Component Unit to the Statement of Activities**  
**For the Year Ended June 30, 2020**

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<b>Net change in fund balances - component unit</b>	<b>\$ 81,296</b>
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Total change in net position reported for component unit in the statement of activities is different because

Component unit report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(13,376)
Capital outlay	<u>45,320</u>

<b>Change in net position of component unit</b>	<b><u><u>\$ 113,240</u></u></b>
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**City of Au Gres**  
**Other Supplementary Information**  
**Schedule of Indebtedness**  
**June 30, 2020**

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Principal	Interest	Total
<b>Governmental Activities</b>						
City Improvement Bonds						
Date of issue 10/21/15						
amount of issue \$ 995,000						
	2.300%	5/1/2021	\$ 60,000	\$ 60,000	\$ 22,256	\$ 82,256
	2.500%	5/1/2022	65,000	65,000	20,876	85,876
	2.700%	5/1/2023	65,000	65,000	19,250	84,250
	2.900%	5/1/2024	65,000	65,000	17,496	82,496
	3.100%	5/1/2025	70,000	70,000	15,610	85,610
	3.300%	5/1/2026	70,000	70,000	13,440	83,440
	3.450%	5/1/2027	75,000	75,000	11,130	86,130
	3.550%	5/1/2028	75,000	75,000	8,542	83,542
	3.650%	5/1/2029	80,000	80,000	5,880	85,880
	3.700%	5/1/2030	80,000	80,000	2,960	82,960
Total governmental activities				<u>705,000</u>	<u>137,440</u>	<u>842,440</u>

**City of Au Gres**  
**Other Supplementary Information**  
**Schedule of Indebtedness**  
**June 30, 2020**

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Principal	Interest	Total
<b>Business-type Activities</b>						
Water Revenue Bond						
Date of issue 5/24/95;						
amount of issue \$ 913,000						
	5.125%	4/1/2021	\$ 26,000	\$ 26,000	\$ 28,546	\$ 54,546
	5.125%	4/1/2022	27,000	27,000	27,214	54,214
	5.125%	4/1/2023	28,000	28,000	25,830	53,830
	5.125%	4/1/2024	30,000	30,000	24,396	54,396
	5.125%	4/1/2025	31,000	31,000	22,858	53,858
	5.125%	4/1/2026	33,000	33,000	21,268	54,268
	5.125%	4/1/2027	35,000	35,000	19,578	54,578
	5.125%	4/1/2028	36,000	36,000	17,784	53,784
	5.125%	4/1/2029	38,000	38,000	15,938	53,938
	5.125%	4/1/2030	40,000	40,000	13,992	53,992
	5.125%	4/1/2031	42,000	42,000	11,942	53,942
	5.125%	4/1/2032	44,000	44,000	9,788	53,788
	5.125%	4/1/2033	47,000	47,000	7,534	54,534
	5.125%	4/1/2034	49,000	49,000	5,126	54,126
	5.125%	4/1/2035	51,000	51,000	2,612	53,612
Total business-type activities				<u>557,000</u>	<u>254,406</u>	<u>811,406</u>
<b>Total indebtedness</b>				<u>\$ 1,262,000</u>	<u>\$ 391,846</u>	<u>\$ 1,653,846</u>





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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

### **Independent Auditors' Report**

Management and the City Council  
City of Au Gres  
Au Gres, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Au Gres (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 26, 2020.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
August 26, 2020