

City of Au Gres

Financial Statements

June 30, 2022



Table of Contents

Section		Page
1	List of Elected and Appointed Officials	1 – 1
2	Independent Auditors' Report	2 – 1
3	Management's Discussion and Analysis	3 – 1
4	Basic Financial Statements	
	Government-wide Financial Statements	
	Statement of Net Position	4 – 1
	Statement of Activities	4 – 3
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	4 – 4
	Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	4 – 5
	Statement of Revenues, Expenditures and Changes in Fund Balances	4 – 6
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 – 8
	Proprietary Funds	
	Statement of Net Position	4 – 9
	Statement of Revenues, Expenses and Changes in Fund Net Position	4 – 11
	Statement of Cash Flows	4 – 13
	Fiduciary Funds	
	Statement of Fiduciary Net Position	4 – 15
	Statement of Changes in Fiduciary Net Position	4 – 16
	Notes to the Financial Statements	4 – 17

Section	Page
5	
Required Supplementary Information	
Budgetary Comparison Schedule	
General Fund	5 – 1
Major Street Fund	5 – 3
Local Street Fund	5 – 4
Police Fund	5 – 5
Municipal Employees Retirement System of Michigan	
Schedule of Changes in Net Pension Liability and Related Ratios	5 – 6
Schedule of Employer Contributions	5 – 7
Other Postemployment Benefits	
Schedule of Changes in Net OPEB Liability and Related Ratios	5 – 8
Schedule of Employer Contributions - OPEB	5 – 9
Schedule of Investment Returns	5 – 10
6	
Other Supplementary Information	
Nonmajor Governmental Funds	
Combining Balance Sheet	6 – 1
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	6 – 2
Component Unit – Tax Increment Financing Authority	
Balance Sheet	6 – 3
Reconciliation of Fund Balances to Net Position of Component Unit	6 – 4
Budgetary Comparison Schedule	6 – 5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Component Unit to the Statement of Activities	6 – 6
Schedule of Indebtedness	6 – 7
7	
Other Reports	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	7 – 1

City of Au Gres
List of Elected and Appointed Officials
June 30, 2022

Michael Hoadley - Mayor

Jon Sanford - Mayor Pro Tem

Jane Barbour - Councilwoman

Dan Heinrich - Councilman

Joe Warr - Councilman

Other Officers and Officials

Dale Wiltse - City Manager

LaVonne Pritchard - City Clerk / Treasurer



800.968.0010 | yeoandyeo.com

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Au Gres (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 September 6, 2022 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
September 6, 2022

City of Au Gres
Management's Discussion and Analysis
June 30, 2022

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, 2022. 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, 2022

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	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 2,614,443	\$ 2,585,919	\$ 2,176,948	\$ 1,866,385	\$ 4,791,391	\$ 4,452,304
Capital assets	2,819,744	2,733,818	2,197,334	2,333,455	5,017,078	5,067,273
Total assets	5,434,187	5,319,737	4,374,282	4,199,840	9,808,469	9,519,577
Deferred outflows of resources	48,864	41,851	30,042	25,649	78,906	67,500
Liabilities						
Current liabilities	192,698	146,652	183,675	124,250	376,373	270,902
Long-term liabilities	928,107	1,099,587	412,277	534,183	1,340,384	1,633,770
Total liabilities	1,120,805	1,246,239	595,952	658,433	1,716,757	1,904,672
Deferred inflows of resources	77,520	31,150	47,512	19,092	125,032	50,242
Net assets						
Net investment in capital assets	2,657,533	2,559,293	2,197,334	2,333,455	4,854,867	4,892,748
Restricted	855,408	876,723	54,000	54,000	909,408	930,723
Unrestricted	771,785	648,183	1,509,526	1,160,509	2,281,311	1,808,692
Total net position	\$ 4,284,726	\$ 4,084,199	\$ 3,760,860	\$ 3,547,964	\$ 8,045,586	\$ 7,632,163

The net position of governmental activities is \$4,284,726 and \$3,760,860 for business type activities; of these amounts \$771,785 (governmental) and \$1,509,526 (business-type) are unrestricted net position.

City of Au Gres
Management's Discussion and Analysis
June 30, 2022

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue						
Program revenue						
Charges for services	\$ 99,134	\$ 81,206	\$ 852,025	\$ 851,428	\$ 951,159	\$ 932,634
Operating grants and contributions	239,158	211,690	17,500	13,500	256,658	225,190
Capital grants and contributions	36,485	1,020	-	4,571	36,485	5,591
General revenue						
Property taxes	427,049	415,511	-	-	427,049	415,511
State-shared revenue	114,399	94,918	-	-	114,399	94,918
Unrestricted investment earnings (losses)	5,461	22,303	1,978	1,544	7,439	23,847
Gain on sale of capital assets	12,000	-	-	-	12,000	-
Transfers	15,000	15,000	(15,000)	(15,000)	-	-
Miscellaneous	8,319	46,857	136,577	107,100	144,896	153,957
Total revenue	<u>957,005</u>	<u>888,505</u>	<u>993,080</u>	<u>963,143</u>	<u>1,950,085</u>	<u>1,851,648</u>
Program expenses						
General government	122,000	153,913	-	-	122,000	153,913
Public safety	129,471	67,573	-	-	129,471	67,573
Public works	283,544	282,975	-	-	283,544	282,975
Community and economic development	10,850	8,396	-	-	10,850	8,396
Recreation and culture	188,896	167,662	-	-	188,896	167,662
Interest on long-term debt	21,717	23,309	-	-	21,717	23,309
Water, sewer, park and boat access harbor	-	-	780,184	845,432	780,184	845,432
Total program expenses	<u>756,478</u>	<u>703,828</u>	<u>780,184</u>	<u>845,432</u>	<u>1,536,662</u>	<u>1,549,260</u>
Change in net position	<u>\$ 200,527</u>	<u>\$ 184,677</u>	<u>\$ 212,896</u>	<u>\$ 117,711</u>	<u>\$ 413,423</u>	<u>\$ 302,388</u>

Governmental Activities

The City's total governmental activity revenues were \$957,005. Governmental activity expenses of \$756,478 were recorded for the year.

Business Type Activities

The City's total business-type activity revenues were \$993,080 and expenses were \$780,184.

City of Au Gres
Management's Discussion and Analysis
June 30, 2022

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 number of users is stable. There are additional testing requirements for PFAs.

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 an increase in fund balance of \$33,532.

City of Au Gres
Management's Discussion and Analysis
June 30, 2022

Major Street Fund

Functions relating to the major street activities of the City, which are financed by Act 51 funds are recorded in the Major Street Fund. This fund had an increase in fund balance of \$61,172.

Local Street Fund

Functions relating to the local street activities of the City, which are financed by Act 51 funds are recorded in the Local Street Fund. This fund had a decrease in fund balance of \$96,250.

Police Fund

Functions relating to the public safety activities of the City are recorded in the Police Fund. This fund had an increase in fund balance of \$11,698.

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 2021.

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 \$60,000. 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 2021.

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.

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, 2022

Capital Asset and Debt Administration

At the end of fiscal year 2021, the City has \$5,017,078, 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 \$2,819,744.

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 net OPEB liability.

Economic Factors and Next Year's Budgets and Rates

City officials are still dealing with the aftermath from the COVID-19 pandemic. The City is seeing the increased inflation rates in everything that is purchased from gas to utilities to everyday products. There has also been a shortage of critical products that the City uses to run the water and sewer plant. In addition, there has been a decrease in the work force and the City has had to raise employee wages to keep up with inflation and retain trained staff members.

The increase in the housing market has decreased the City's millage rates which has resulted in the City receiving less tax revenues. The City received COVID relief funding of \$86,843 in fiscal year 2022. The 2020 census figures did show an increase in the population from 839 to 889, which will help to increase future revenues.

City officials continue to be conservative in preparing the budget and will continue to make cuts where possible in the hopes that the City can continue to move forward in offering the same services to the residents.

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 reached at 989-876-8811.

City of Au Gres
Statement of Net Position
June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 2,493,147	\$ 2,008,243	\$ 4,501,390	\$ 709,259
Investments	39,661	-	39,661	-
Accounts receivable				
Taxes	19,615	-	19,615	47
Customers	13,837	106,111	119,948	201,987
Accrued interest and other	-	528	528	2,534
Due from other units of government	48,380	7,403	55,783	-
Internal balances	(663)	663	-	-
Due from component unit	466	-	466	-
Restricted investments - USDA bond reserve	-	54,000	54,000	-
Capital assets not being depreciated	401,605	16,163	417,768	-
Capital assets, net of accumulated depreciation	<u>2,418,139</u>	<u>2,181,171</u>	<u>4,599,310</u>	<u>327,083</u>
Total assets	<u>5,434,187</u>	<u>4,374,282</u>	<u>9,808,469</u>	<u>1,240,910</u>
Deferred outflows of resources				
Deferred amount relating to net pension liability	47,122	28,880	76,002	-
Deferred amount relating to net OPEB liability	<u>1,742</u>	<u>1,162</u>	<u>2,904</u>	<u>-</u>
Total deferred outflows of resources	<u>48,864</u>	<u>30,042</u>	<u>78,906</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

City of Au Gres
Statement of Net Position
June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 30,134	\$ 2,550	\$ 32,684	\$ -
Accrued and other liabilities	3,208	2,534	5,742	-
Due to primary government	-	-	-	466
Unearned revenue	76,746	129,604	206,350	-
Debt due within one year	82,610	48,987	131,597	-
Noncurrent liabilities				
Debt due in more than one year	515,000	153,000	668,000	-
Net pension liability	300,025	183,889	483,914	-
Net OPEB liability	113,082	75,388	188,470	-
Total liabilities	<u>1,120,805</u>	<u>595,952</u>	<u>1,716,757</u>	<u>466</u>
Deferred inflows of resources				
Deferred amount relating to net pension liability	<u>77,520</u>	<u>47,512</u>	<u>125,032</u>	<u>-</u>
Net position				
Net investment in capital assets	2,657,533	2,197,334	4,854,867	327,083
Restricted for:				
Mosquito control	2,479	-	2,479	-
Major streets	395,002	-	395,002	-
Local streets	157,329	-	157,329	-
Capital projects	116,348	-	116,348	-
Library	184,250	-	184,250	-
USDA Bond Reserves	-	54,000	54,000	-
Unrestricted	<u>771,785</u>	<u>1,509,526</u>	<u>2,281,311</u>	<u>913,361</u>
Total net position	<u>\$ 4,284,726</u>	<u>\$ 3,760,860</u>	<u>\$ 8,045,586</u>	<u>\$ 1,240,444</u>

See Accompanying Notes to the Financial Statements

City of Au Gres
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 122,000	\$ 27,105	\$ 67,295	\$ -	\$ (27,600)	\$ -	\$ (27,600)	\$ -
Public safety	129,471	709	-	36,411	(92,351)	-	(92,351)	-
Public works	283,544	71,320	168,417	74	(43,733)	-	(43,733)	-
Community and economic development	10,850	-	-	-	(10,850)	-	(10,850)	-
Recreation and culture	188,896	-	3,446	-	(185,450)	-	(185,450)	-
Interest on long-term debt	21,717	-	-	-	(21,717)	-	(21,717)	-
Total governmental activities	<u>756,478</u>	<u>99,134</u>	<u>239,158</u>	<u>36,485</u>	<u>(381,701)</u>	<u>-</u>	<u>(381,701)</u>	<u>-</u>
Business-type activities								
Sewer	286,068	293,953	-	-	-	7,885	7,885	-
Water	273,148	344,580	-	-	-	71,432	71,432	-
Park	183,086	213,492	-	-	-	30,406	30,406	-
Boat access and harbor	37,882	-	17,500	-	-	(20,382)	(20,382)	-
Total business-type activities	<u>780,184</u>	<u>852,025</u>	<u>17,500</u>	<u>-</u>	<u>-</u>	<u>89,341</u>	<u>89,341</u>	<u>-</u>
Total primary government	<u>\$ 1,536,662</u>	<u>\$ 951,159</u>	<u>\$ 256,658</u>	<u>\$ 36,485</u>	<u>(381,701)</u>	<u>89,341</u>	<u>(292,360)</u>	<u>-</u>
Component unit								
Tax Increment Financing Authority	<u>\$ 190,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(190,613)</u>
General revenues								
Property taxes					427,049	-	427,049	254,409
State shared revenue					114,399	-	114,399	-
Unrestricted investment earnings					5,461	1,978	7,439	5,800
Gain on sale of capital assets					12,000	-	12,000	-
Miscellaneous					8,319	136,577	144,896	48,174
Transfers					15,000	(15,000)	-	-
Total general revenues and transfers					<u>582,228</u>	<u>123,555</u>	<u>705,783</u>	<u>308,383</u>
Change in net position					200,527	212,896	413,423	117,770
Net position - beginning of year					<u>4,084,199</u>	<u>3,547,964</u>	<u>7,632,163</u>	<u>1,122,674</u>
Net position - end of year					<u>\$ 4,284,726</u>	<u>\$ 3,760,860</u>	<u>\$ 8,045,586</u>	<u>\$ 1,240,444</u>

See Accompanying Notes to the Financial Statements

**City of Au Gres
Governmental Funds
Balance Sheet
June 30, 2022**

	Special Revenue Funds					Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Street Fund	Local Street Fund	Police Fund	Capital Projects Fund		
Assets							
Cash and cash equivalents	\$ 914,036	\$ 419,560	\$ 176,911	\$ 25,772	\$ 417,789	\$ 243,907	\$ 2,197,975
Investments	-	-	-	-	-	39,661	39,661
Receivables							
Taxes	-	-	-	-	-	19,615	19,615
Customers	1,938	-	11,899	-	-	-	13,837
Due from other units of government	17,997	18,653	11,730	-	-	-	48,380
Due from other funds	14,646	-	-	-	-	-	14,646
Due from component unit	466	-	-	-	-	-	466
Total assets	\$ 949,083	\$ 438,213	\$ 200,540	\$ 25,772	\$ 417,789	\$ 303,183	\$ 2,334,580
Liabilities							
Accounts payable	\$ 30,134	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,134
Due to other funds	-	-	-	-	-	106	106
Unearned revenue	76,746	-	-	-	-	-	76,746
Total liabilities	106,880	-	-	-	-	106	106,986
Deferred inflows of resources							
Property taxes	-	-	-	-	-	19,615	19,615
Fund balances							
Restricted for							
Mosquito control	-	-	-	-	-	2,479	2,479
Major streets	-	438,213	-	-	-	-	438,213
Local streets	-	-	200,540	-	-	-	200,540
Police protection	-	-	-	25,772	-	-	25,772
Capital projects	-	-	-	-	417,789	116,348	534,137
Library	-	-	-	-	-	164,635	164,635
Unassigned							
General	842,203	-	-	-	-	-	842,203
Total fund balances	842,203	438,213	200,540	25,772	417,789	283,462	2,207,979
Total liabilities, deferred inflows of resources, and fund balances	\$ 949,083	\$ 438,213	\$ 200,540	\$ 25,772	\$ 417,789	\$ 303,183	\$ 2,334,580

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, 2022

Total fund balances for governmental funds	\$ 2,207,979
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.	2,786,395
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	19,615
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(3,208)
Compensated absences	(17,610)
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from net pension liability	(77,520)
Deferred outflows of resources resulting from net pension liability	47,122
Deferred outflows of resources resulting from net OPEB liability	1,742
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	(580,000)
Net pension liability	(300,025)
Net OPEB liability	(113,082)
Internal service funds are included as part of governmental activities.	313,318
Net position of governmental activities	\$ 4,284,726

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, 2022

	Special Revenue Funds				Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Street Fund	Local Street Fund	Police Fund			
Revenues							
Taxes	\$ 282,388	\$ -	\$ -	\$ 59,893	\$ -	\$ 83,951	\$ 426,232
Licenses and permits	11,818	-	-	-	-	-	11,818
Federal grants	12,838	-	-	36,411	-	-	49,249
State revenue sharing	112,888	-	-	-	-	-	112,888
Other state grants	175	105,386	61,031	1,511	-	-	168,103
Local contributions	55,729	2,000	-	-	-	-	57,729
Charges for services	70,022	10,645	-	-	-	-	80,667
Interest income	1,019	601	88	15	614	1,900	4,237
Rental income	6,070	-	-	-	-	-	6,070
Other revenue	8,189	-	74	709	-	275	9,247
Investment gain (loss)	-	-	-	-	-	2,605	2,605
Total revenues	<u>561,136</u>	<u>118,632</u>	<u>61,193</u>	<u>98,539</u>	<u>614</u>	<u>88,731</u>	<u>928,845</u>
Expenditures							
Current							
General government	122,602	-	-	-	-	-	122,602
Public safety	51	-	-	98,841	-	-	98,892
Public works	141,662	32,051	18,160	-	-	-	191,873
Community and economic development	8,319	-	-	-	-	-	8,319
Recreation and culture	7,853	-	-	-	-	79,556	87,409
Other functions	154,918	-	-	-	-	-	154,918
Capital outlay	1,260	-	184,256	-	51,300	20,535	257,351
Debt service							
Principal retirement	65,000	-	-	-	-	-	65,000
Interest and fiscal charges	21,375	-	-	-	-	-	21,375
Total expenditures	<u>523,040</u>	<u>32,051</u>	<u>202,416</u>	<u>98,841</u>	<u>51,300</u>	<u>100,091</u>	<u>1,007,739</u>
Excess (deficiency) of revenues over expenditures	<u>38,096</u>	<u>86,581</u>	<u>(141,223)</u>	<u>(302)</u>	<u>(50,686)</u>	<u>(11,360)</u>	<u>(78,894)</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, 2022

	Special Revenue Funds				Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Street Fund	Local Street Fund	Police Fund			
Other financing sources (uses)							
Transfers in	\$ 15,000	\$ -	\$ 44,973	\$ -	\$ -	\$ -	\$ 59,973
Transfers out	(19,564)	(25,409)	-	-	-	-	(44,973)
Sale of capital assets	-	-	-	12,000	-	-	12,000
Total other financing sources and (uses)	<u>(4,564)</u>	<u>(25,409)</u>	<u>44,973</u>	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>27,000</u>
Net change in fund balance	33,532	61,172	(96,250)	11,698	(50,686)	(11,360)	(51,894)
Fund balance - beginning of year	<u>808,671</u>	<u>377,041</u>	<u>296,790</u>	<u>14,074</u>	<u>468,475</u>	<u>294,822</u>	<u>2,259,873</u>
Fund balance - end of year	<u><u>\$ 842,203</u></u>	<u><u>\$ 438,213</u></u>	<u><u>\$ 200,540</u></u>	<u><u>\$ 25,772</u></u>	<u><u>\$ 417,789</u></u>	<u><u>\$ 283,462</u></u>	<u><u>\$ 2,207,979</u></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, 2022

Net change in fund balances - Total governmental funds	\$ (51,894)
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	(187,838)
Capital outlay	299,624
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	817
Expenses are recorded when incurred in the statement of activities	
Accrued interest	271
Compensated absences	2,780
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	74,274
Net change in deferred inflows of resources related to the net pension liability	(46,370)
Net change in deferred outflows of resources related to the net pension liability	5,271
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net OPEB liability	41,096
Net change in deferred outflows of resources related to the net OPEB liability	1,742
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	65,000
Internal service funds are also included as governmental activities	(4,246)
Change in net position of governmental activities	\$ 200,527

See Accompanying Notes to the Financial Statements

City of Au Gres
Proprietary Funds
Statement of Net Position
June 30, 2022

	Enterprise Funds					Internal Service Fund
	Sewer	Water	Park	Nonmajor Boat Access and Harbor	Total	
Assets						
Current assets						
Cash and cash equivalents	\$ 706,132	\$ 828,460	\$ 396,099	\$ 77,552	\$ 2,008,243	\$ 295,172
Receivables						
Customers	54,545	51,566	-	-	106,111	-
Accrued interest and other	-	182	346	-	528	-
Due from other units of government	-	7,403	-	-	7,403	-
Total current assets	<u>760,677</u>	<u>887,611</u>	<u>396,445</u>	<u>77,552</u>	<u>2,122,285</u>	<u>295,172</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	988,177	939,035	76,106	177,853	2,181,171	33,349
Total noncurrent assets	<u>1,003,840</u>	<u>993,035</u>	<u>76,606</u>	<u>177,853</u>	<u>2,251,334</u>	<u>33,349</u>
 Total assets	 <u>1,764,517</u>	 <u>1,880,646</u>	 <u>473,051</u>	 <u>255,405</u>	 <u>4,373,619</u>	 <u>328,521</u>
Deferred outflows of resources						
Deferred amount relating to net pension liability	10,640	10,642	7,598	-	28,880	-
Deferred amount relating to net OPEB liability	581	581	-	-	1,162	-
Total deferred outflows of resources	<u>11,221</u>	<u>11,223</u>	<u>7,598</u>	<u>-</u>	<u>30,042</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

City of Au Gres
Proprietary Funds
Statement of Net Position
June 30, 2022

	Enterprise Funds					Internal Service Fund
	Sewer	Water	Park	Nonmajor Boat Access and Harbor	Total	
Liabilities						
Current liabilities						
Accounts payable	\$ 2,550	\$ -	\$ -	\$ -	\$ 2,550	\$ -
Accrued and other liabilities	-	2,534	-	-	2,534	-
Due to other funds	9,296	5,197	-	44	14,537	3
Unearned revenue	7,110	7,110	115,384	-	129,604	-
Current portion of noncurrent liabilities	-	48,987	-	-	48,987	-
Total current liabilities	<u>18,956</u>	<u>63,828</u>	<u>115,384</u>	<u>44</u>	<u>198,212</u>	<u>3</u>
Noncurrent liabilities						
Long-term debt net of current portion	-	153,000	-	-	153,000	-
Net pension liability	67,749	67,750	48,390	-	183,889	-
Total OPEB liability	<u>37,694</u>	<u>37,694</u>	<u>-</u>	<u>-</u>	<u>75,388</u>	<u>-</u>
Total noncurrent liabilities	<u>105,443</u>	<u>258,444</u>	<u>48,390</u>	<u>-</u>	<u>412,277</u>	<u>-</u>
Total liabilities	<u>124,399</u>	<u>322,272</u>	<u>163,774</u>	<u>44</u>	<u>610,489</u>	<u>3</u>
Deferred inflows of resources						
Deferred amount relating to net pension liability	<u>17,504</u>	<u>17,505</u>	<u>12,503</u>	<u>-</u>	<u>47,512</u>	<u>-</u>
Net position						
Net investment in capital assets	1,003,840	939,035	76,606	177,853	2,197,334	33,349
Restricted for						
USDA Bond Reserves	-	54,000	-	-	54,000	-
Unrestricted	<u>629,995</u>	<u>559,057</u>	<u>227,766</u>	<u>77,508</u>	<u>1,494,326</u>	<u>295,169</u>
Total net position	<u>\$ 1,633,835</u>	<u>\$ 1,552,092</u>	<u>\$ 304,372</u>	<u>\$ 255,361</u>	<u>3,745,660</u>	<u>\$ 328,518</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>15,200</u>	
Net position of business-type activities					<u>\$ 3,760,860</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, 2022

	Enterprise Funds					Internal Service Fund
	Sewer	Water	Park	Nonmajor Boat Access and Harbor	Total	
Operating revenue						
Customer fees	\$ 293,953	\$ 344,580	\$ 213,492	\$ -	\$ 852,025	\$ -
Billings to other funds	-	-	-	-	-	51,135
Rental income	-	6,600	-	-	6,600	-
Other revenue	14,230	60,933	46,807	8,007	129,977	10,000
Total operating revenue	<u>308,183</u>	<u>412,113</u>	<u>260,299</u>	<u>8,007</u>	<u>988,602</u>	<u>61,135</u>
Operating expenses						
Personnel services	103,098	67,035	66,267	8,388	244,788	16,613
Supplies	10,677	47,488	19,195	633	77,993	15,725
Contractual services	41,193	10,309	12,976	3,274	67,752	-
Utilities	37,527	22,764	42,573	9,709	112,573	-
Repairs and maintenance	4,017	41,732	18,646	-	64,395	3,068
Other expenses	9,122	5,852	15,442	4,834	35,250	-
Depreciation	79,898	72,441	7,987	11,044	171,370	30,699
Total operating expenses	<u>285,532</u>	<u>267,621</u>	<u>183,086</u>	<u>37,882</u>	<u>774,121</u>	<u>66,105</u>
Operating income (loss)	<u>22,651</u>	<u>144,492</u>	<u>77,213</u>	<u>(29,875)</u>	<u>214,481</u>	<u>(4,970)</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, 2022

	Enterprise Funds					Internal Service Fund
	Sewer	Water	Park	Nonmajor Boat Access and Harbor	Total	
Nonoperating revenue (expenses)						
Interest income	\$ 709	\$ 1,080	\$ 169	\$ 20	\$ 1,978	\$ 343
Interest expense	-	(5,069)	-	-	(5,069)	(613)
Total nonoperating revenues (expenses)	<u>709</u>	<u>(3,989)</u>	<u>169</u>	<u>20</u>	<u>(3,091)</u>	<u>(270)</u>
Income (loss) before transfers and capital contributions	23,360	140,503	77,382	(29,855)	211,390	(5,240)
Capital contributions	-	-	-	17,500	17,500	-
Transfers in	-	-	-	17,500	17,500	-
Transfers out	<u>(6,300)</u>	<u>(8,700)</u>	<u>(17,500)</u>	<u>-</u>	<u>(32,500)</u>	<u>-</u>
Change in net position	17,060	131,803	59,882	5,145	213,890	(5,240)
Net position - beginning of year	<u>1,616,775</u>	<u>1,420,289</u>	<u>244,490</u>	<u>250,216</u>	<u>3,531,770</u>	<u>333,758</u>
Net position - end of year	<u>\$ 1,633,835</u>	<u>\$ 1,552,092</u>	<u>\$ 304,372</u>	<u>\$ 255,361</u>		<u>\$ 328,518</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>(994)</u>	
Change in net position of business-type activities					<u>\$ 212,896</u>	

See Accompanying Notes to the Financial Statements

City of Au Gres
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2022

	Enterprise Funds					Internal Service Fund
	Sewer	Water	Park	Boat Access and Harbor	Total	
Cash flows from operating activities						
Receipts from customers	\$ 311,999	\$ 420,080	\$ 260,299	\$ 8,280	\$ 1,000,658	\$ 10,000
Receipts from interfund users	-	-	-	-	-	51,135
Receipts from other funds	9,296	5,197	-	-	14,493	-
Payments to other funds	(10,626)	(4,608)	-	(119)	(15,353)	(220)
Payments to suppliers	(117,336)	(144,140)	(58,599)	(18,723)	(338,798)	(18,793)
Payments to employees	(103,098)	(67,035)	(66,267)	(8,388)	(244,788)	(16,613)
Payments for interfund services used	(5,510)	(4,715)	-	-	(10,225)	-
Net cash provided (used) by operating activities	<u>84,725</u>	<u>204,779</u>	<u>135,433</u>	<u>(18,950)</u>	<u>405,987</u>	<u>25,509</u>
Cash flows from noncapital financing activities						
Transfer from other funds	-	-	-	17,500	17,500	-
Transfers to other funds	(6,300)	(8,700)	(17,500)	-	(32,500)	-
Net cash provided (used) by noncapital financing activities	<u>(6,300)</u>	<u>(8,700)</u>	<u>(17,500)</u>	<u>17,500</u>	<u>(15,000)</u>	<u>-</u>
Cash flows from capital and related financing activities						
Capital contributions	-	-	-	17,500	17,500	-
Purchases/construction of capital assets	(1,399)	-	(33,850)	-	(35,249)	(2,839)
Principal and interest paid on long-term debt	-	(53,082)	-	-	(53,082)	(613)
Net cash provided (used) by capital and related financing activities	<u>(1,399)</u>	<u>(53,082)</u>	<u>(33,850)</u>	<u>17,500</u>	<u>(70,831)</u>	<u>(3,452)</u>
Cash flows from investing activities						
Interest received	709	1,080	933	20	2,742	343
Net change in cash and cash equivalents	77,735	144,077	85,016	16,070	322,898	22,400
Cash and cash equivalents - beginning of year	<u>628,397</u>	<u>684,383</u>	<u>311,083</u>	<u>61,482</u>	<u>1,685,345</u>	<u>272,772</u>
Cash and cash equivalents - end of year	<u>\$ 706,132</u>	<u>\$ 828,460</u>	<u>\$ 396,099</u>	<u>\$ 77,552</u>	<u>\$ 2,008,243</u>	<u>\$ 295,172</u>

See Accompanying Notes to the Financial Statements

City of Au Gres
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2022

	Enterprise Funds					Internal Service Fund
	Sewer	Water	Park	Boat Access and Harbor	Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 22,651	\$ 144,492	\$ 77,213	\$ (29,875)	\$ 214,481	\$ (4,970)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation and amortization expense	79,898	72,441	7,987	11,044	171,370	30,699
Noncash change in net pension liability	(16,771)	(16,771)	(11,980)	-	(45,522)	-
Noncash change in net OPEB liability	(13,698)	(13,698)	-	-	(27,396)	-
Changes in assets and liabilities						
Receivables (net)	3,816	2,453	(346)	-	5,923	-
Due from other units of government	-	5,514	-	-	5,514	-
Deferred outflows of resources	(1,771)	(1,772)	(850)	-	(4,393)	-
Accounts payable	400	-	-	-	400	-
Accrued and other liabilities	-	-	-	(119)	(119)	-
Due to other funds	(1,330)	589	-	-	(741)	(220)
Unearned revenue	1,060	1,060	55,930	-	58,050	-
Deferred inflows of resources	10,470	10,471	7,479	-	28,420	-
Net cash provided (used) by operating activities	\$ 84,725	\$ 204,779	\$ 135,433	\$ (18,950)	\$ 405,987	\$ 25,509

See Accompanying Notes to the Financial Statements

City of Au Gres
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022

	<u>OPEB Trust Fund</u>	<u>Custodial Fund</u>
Assets		
Cash and cash equivalents	\$ -	\$ 322
Investments	<u>22,207</u>	<u>-</u>
Liabilities		
Accrued and other liabilities	<u>-</u>	<u>322</u>
Net position		
Restricted for:		
Other postemployment benefits	<u>\$ 22,207</u>	<u>\$ -</u>

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, 2022

	<u>OPEB Trust Fund</u>	<u>Custodial Fund</u>
Additions		
Contributions		
Employer	\$ 60,507	\$ -
Investment earnings		
Change in market value	(2,774)	-
Property tax collections for other governments	-	1,728,598
Total additions	<u>57,733</u>	<u>1,728,598</u>
Deductions		
Benefits	35,507	-
Administrative expenses	19	-
Payments of property tax to other governments	-	1,728,598
Total deductions	<u>35,526</u>	<u>1,728,598</u>
Change in net position	22,207	-
Net position - beginning of year	<u>-</u>	<u>-</u>
Net position - end of year	<u>\$ 22,207</u>	<u>\$ -</u>

See Accompanying Notes to the Financial Statements

City of Au Gres
Notes to the Financial Statements
June 30, 2022

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 City and its component unit, an entity for which the City 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 City (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, 2022 annual City 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 City considers revenues to be available if they are

City of Au Gres
Notes to the Financial Statements
June 30, 2022

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 City.

The City reports the following major governmental funds:

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

The Police Fund accounts for public safety revenue and expense.

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.

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 Nonmajor Enterprise Fund records the revenue and expense related to the boat access and harbor.

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

The OPEB Trust Fund accounts for the activities of the defined benefit OPEB plan which accumulates resources for OPEB payments to qualified employees.

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

City of Au Gres
Notes to the Financial Statements
June 30, 2022

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 City's water and sewer function and various other functions of the City. 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 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2021 taxable valuation of the City totaled \$28,217,919, 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 \$243,495 for operating expenses, \$59,893 for police protection, \$24,453 for mosquito control services, and \$19,564 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 \$59,498.

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.

City of Au Gres
Notes to the Financial Statements
June 30, 2022

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 City 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 and OPEB 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 and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities 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) 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

City of Au Gres
Notes to the Financial Statements
June 30, 2022

the current period. The face amount of debt issued is reported as 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 net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the net 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. Investments are reported at fair value.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the City 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 balance – 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.

City of Au Gres
Notes to the Financial Statements
June 30, 2022

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

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.

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. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to

City of Au Gres
Notes to the Financial Statements
June 30, 2022

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.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Upcoming Accounting and Reporting Changes

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. 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.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making

City of Au Gres
Notes to the Financial Statements
June 30, 2022

decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

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.

Excess of Expenditures Over Appropriations

	Appropriations		Actual		Budget Variance
General Fund					
Transfers out	\$ 18,000		\$ 19,564		\$ 1,564

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 City'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	\$ 2,493,147	\$ 39,661	\$ -	\$ 2,532,808
Business-type activities	2,008,243	-	54,000	2,062,243
Total primary government	4,501,390	39,661	54,000	4,595,051
Fiduciary funds	322	22,207	-	22,529
Component unit	709,259	-	-	709,259
Total	<u>\$ 5,210,971</u>	<u>\$ 61,868</u>	<u>\$ 54,000</u>	<u>\$ 5,326,839</u>

City of Au Gres
Notes to the Financial Statements
June 30, 2022

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)	\$ 4,555,040	\$ 322	\$ 709,259	\$ 5,264,621
Investments in securities, mutual funds and similar vehicles	39,661	22,207	-	61,868
Petty cash and cash on hand	350	-	-	350
	<u>\$ 4,595,051</u>	<u>\$ 22,529</u>	<u>\$ 709,259</u>	<u>\$ 5,326,839</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 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.

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, \$4,787,824 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, 2022:

Investments carried at net asset value

MERS retiree health funding vehicle	<u>\$ 22,207</u>
-------------------------------------	------------------

Investments in Entities that Calculate Net Asset Value Per Share

The City holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At year end, the net asset value of the City’s investment in the MERS Retiree Health Funding Vehicle Total Market Fund (the Fund) was \$22,207. The Fund is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity and commodities, and is carried at net asset value. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers. There is no redemption period and no unfunded commitments.

City of Au Gres
Notes to the Financial Statements
June 30, 2022

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:

Primary government

Tower rental	\$ 16,860
Federal grants	74,106
Park seasonal rentals	115,384
	<u>\$ 206,350</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
Governmental activities				
Capital assets not being depreciated				
Land	\$ 389,706	\$ -	\$ -	\$ 389,706
Construction-in-progress	28,580	79,775	96,456	11,899
Total capital assets not being depreciated	418,286	79,775	96,456	401,605
Capital assets being depreciated				
Land improvements	287,381	-	-	287,381
Infrastructure	2,937,491	263,906	-	3,201,397
Buildings, additions and improvements	1,206,120	15,218	-	1,221,338
Machinery and equipment	745,973	40,020	62,993	723,000
Total capital assets being depreciated	5,176,965	319,144	62,993	5,433,116
Less accumulated depreciation for				
Land improvements	284,512	523	-	285,035
Infrastructure	1,280,980	129,397	-	1,410,377
Buildings, additions and improvements	729,400	34,047	-	763,447
Machinery and equipment	564,541	54,570	62,993	556,118
Total accumulated depreciation	2,859,433	218,537	62,993	3,014,977
Net capital assets being depreciated	2,317,532	100,607	-	2,418,139
Governmental activities capital assets, net	\$ 2,735,818	\$ 180,382	\$ 96,456	\$ 2,819,744

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 16,163	\$ -	\$ -	\$ 16,163
Capital assets being depreciated				
Land improvements	556,028	23,350	-	579,378
Buildings, additions and improvements	34,933	-	-	34,933
Machinery and equipment	64,492	11,899	-	76,391
Vehicles	35,864	-	-	35,864
Water system	3,015,805	-	-	3,015,805
Sewer system	3,671,750	-	-	3,671,750
Total capital assets being depreciated	7,378,872	35,249	-	7,414,121
Less accumulated depreciation for				
Land improvements	327,915	13,997	-	341,912
Buildings, additions and improvements	29,488	143	-	29,631
Machinery and equipment	50,452	6,267	-	56,719
Vehicles	30,194	820	-	31,014
Water system	2,009,999	71,621	-	2,081,620
Sewer system	2,613,532	78,522	-	2,692,054
Total accumulated depreciation	5,061,580	171,370	-	5,232,950
Net capital assets being depreciated	2,317,292	(136,121)	-	2,181,171
Business-type capital assets, net	\$ 2,333,455	\$ (136,121)	\$ -	\$ 2,197,334

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

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit				
Capital assets being depreciated				
Buildings, additions and improvements	\$ 357,535	\$ 23,350	\$ -	\$ 380,885
Machinery and equipment	54,801	-	-	54,801
Vehicles and equipment	28,667	-	-	28,667
Total capital assets being depreciated	441,003	23,350	-	464,353
Less accumulated depreciation for				
Buildings, additions and improvements	60,295	15,192	-	75,487
Machinery and equipment	29,502	3,614	-	33,116
Vehicles and equipment	28,667	-	-	28,667
Total accumulated depreciation	118,464	18,806	-	137,270
Component unit capital assets, net	\$ 322,539	\$ 4,544	\$ -	\$ 327,083

City of Au Gres
Notes to the Financial Statements
June 30, 2022

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

Governmental activities

General government	\$	41,324
Public safety		16,905
Public works		56,351
Recreation and culture		73,258
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		30,699
Total governmental activities		218,537

Business-type activities

Sewer		79,898
Water		72,441
Park		7,987
Boat Access and Harbor		11,044
Total business-type activities		171,370

Total primary government \$ 389,907

Component unit

Tax Increment Financing Authority	\$	18,806
-----------------------------------	----	--------

Note 7 - Interfund Receivables, Payable, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds in the Aggregate	\$ 106
General Fund	Sewer Fund	9,296
General Fund	Water Fund	5,197
General Fund	Nonmajor Enterprise Funds in the Aggregate	44
General Fund	Internal Service Funds in the Aggregate	3
		\$ 14,646

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 composition of due to/from the primary government and component unit is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Tax Increment Financing Authority Component Unit	\$ 466

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General Fund	Local Street Fund	\$ 19,564
Major Street Fund	Local Street Fund	25,409
Sewer Fund	General Fund	6,300
Water Fund	General Fund	8,700
Park Fund	Nonmajor Enterprise Funds in the Aggregate	17,500
		\$ 77,473

The transfers between Water Fund, Sewer Fund and General Fund were to make contributions toward debt service expenditures. 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 transfer between the Park Fund and the Nonmajor Enterprise Funds in the Aggregate was to transfer funds for projects at the harbor.

City of Au Gres
Notes to the Financial Statements
June 30, 2022

Note 8 - Long-Term Debt

The City 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 City. 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
Governmental activities									
Bonds payable									
City improvement bonds	\$ 995,000	5/1/30	2.700 - 3.700%	\$65,000-\$80,000	\$ 645,000	\$ -	\$ 65,000	\$ 580,000	\$ 65,000
Compensated absences					20,390	26,960	29,740	17,610	17,610
Total governmental activities					<u>\$ 665,390</u>	<u>\$ 26,960</u>	<u>\$ 94,740</u>	<u>\$ 597,610</u>	<u>\$ 82,610</u>
Business-type activities									
Bonds payable									
Notes Payable - TIFA	250,000	10/1/2025	2.000%	48,987 - 52,028	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 48,013</u>	<u>\$ 201,987</u>	<u>\$ 48,987</u>

City of Au Gres
Notes to the Financial Statements
June 30, 2022

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
2023	\$ 65,000	\$ 19,250	\$ 48,987	\$ 4,096
2024	65,000	17,496	49,980	3,103
2025	70,000	15,610	50,993	2,089
2026	70,000	13,440	52,027	1,055
2027	75,000	11,130	-	-
2028 - 2030	235,000	17,382	-	-
	<u>\$ 580,000</u>	<u>\$ 94,308</u>	<u>\$ 201,987</u>	<u>\$ 10,343</u>

Note 9 - Net Investment in Capital Assets

The composition of net investment in capital assets as of June 30, 2022, was as follows:

	Governmental Activities	Business-type Activities	Component Unit
Capital assets			
Capital assets not being depreciated	\$ 401,605	\$ 16,163	\$ -
Capital assets, net of accumulated depreciation	<u>2,418,139</u>	<u>2,181,171</u>	<u>327,083</u>
Total capital assets	<u>2,819,744</u>	<u>2,197,334</u>	<u>327,083</u>
Unspent bond proceeds	<u>417,789</u>	<u>-</u>	<u>-</u>
Related debt			
General obligation bonds	<u>580,000</u>	<u>-</u>	<u>-</u>
Net investment in capital assets	<u>\$ 2,657,533</u>	<u>\$ 2,197,334</u>	<u>\$ 327,083</u>

Note 10 - 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 \$19,381 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, 2022 can be obtained from the administrative offices at: 201 N. Court, Au Gres, Michigan 48703.

Note 11 - Risk Management

The City 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 City 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 12 - Employee Retirement and Benefit Systems

Defined Benefit Pension Plan

Plan description – The City 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%.

City of Au Gres
Notes to the Financial Statements
June 30, 2022

Employees covered by benefit terms – At the December 31, 2021 valuation date, the following employees were covered by benefit terms:

Inactive employees entitles currently receiving benefits	9	
Inactive employees entitled to but not yet receiving benefits	1	
	10	

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 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 ranged from \$8,638 to \$9,198 per month during fiscal year 2022. The pension plan is closed to new employees.

Net pension liability – The employer’s net pension liability was measured as of December 31, 2021, 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, 2021 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 3.75% in the long-term; 3) Investment rate of return of 7.75%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.75% 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%	7.75%	4.65%	2.50%	3.15%
Global fixed income	20.00%	3.75%	0.75%	2.50%	0.25%
Private investments	20.00%	9.75%	1.95%	2.50%	1.45%
	100.00%		7.35%		4.85%

Discount rate – The discount rate used to measure the total pension liability is 7.60%. 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, 2022

Total Pension Liability

Interest on the total pension liability	\$ 161,390
Experience differences	25,137
Changes in actuarial assumptions	61,477
Benefit payments and refunds	<u>(215,844)</u>
Net change in total pension liability	32,160
Total pension liability - beginning	<u>2,231,474</u>
Total pension liability - ending (a)	<u>\$ 2,263,634</u>

Plan Fiduciary Net Position

Employer contributions	\$ 143,502
Pension plan net investment income	226,901
Benefit payments and refunds	<u>(215,844)</u>
Pension plan administrative expense	<u>(2,603)</u>
Net change in plan fiduciary net position	151,956
Plan fiduciary net position - beginning	<u>1,627,764</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,779,720</u>

Net pension liability (a-b) \$ 483,914

Plan fiduciary net position as a percentage of total pension liability	78.62%
Covered payroll	N/A*
Net pension liability as a percentage of covered payroll	N/A*

*Payroll is no longer a part of the calculation as the plan is closed and there are no active members

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 7.60%, as well as what the employer’s net pension liability would be using a discount rate that is 1% point lower (6.60%) or 1% higher (8.60%) than the current rate.

1% Decrease	Current Discount Rate	1% Increase
<u>\$ 678,130</u>	<u>\$ 483,914</u>	<u>\$ 316,092</u>

Pension expense and deferred inflows and outflows of resources – For the year ended June 30, 2022, the employer recognized pension expense of \$98,496. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total to Amortize
Net difference between projected and actual earning on plan investments	\$ -	\$ (125,032)	\$ (125,032)
Contributions subsequent to the measurement date*	<u>76,002</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 76,002</u>	<u>\$ (125,032)</u>	<u>\$ (125,032)</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 in subsequent years.

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

Year ended June 30,	
2023	\$ (15,565)
2024	(52,079)
2025	(36,181)
2026	<u>(21,207)</u>
	<u>\$ (125,032)</u>

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 City is the only nonemployee contributor to the pension plan. Certain employees are covered by the defined contribution plan. As of June 30, 2022, the pension plan’s membership was four employees.

City of Au Gres
Notes to the Financial Statements
June 30, 2022

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, 2022, the City contributed \$22,229 and employees contributed \$5,140.

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 City'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, 2022, the City contributed \$3,101 and employees contributed \$17,842.

Note 13 - 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 60 months for the employee and their spouse.

Employees covered by benefit terms – At June 30, 2022, the plan membership consisted of the following:

Retired members	1
Active members	<u>2</u>
	<u><u>3</u></u>

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). An OPEB trust was established in January 2022 with the MERS retiree healthcare funding vehicle. The City contributed \$25,000 to the trust in fiscal year 2022 and intends to contribute \$25,000 annually going forward.

Investment policy – The Plan's policy in regard to the allocation of invested assets is established and may be amended by the City Council by a majority vote of its members. It is the policy of the City Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to

City of Au Gres
Notes to the Financial Statements
June 30, 2022

refrain from dramatically shifting asset class allocations over short time spans.

Rate of return – For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was 0.00%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Net OPEB liability – The OPEB liability was measured as of June 30, 2022 as determined by an actuarial valuation as of that date, using the alternative measurement method. The components of the net OPEB liability as of June 30, 2022 were as follows:

Total OPEB liability	\$ 210,677
Plan fiduciary net position	<u>22,207</u>
Net OPEB liability	<u>\$ 188,470</u>

Plan fiduciary net position as a percentage of the total OPEB liability is 10.54%.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation, using the alternative measurement method, as of June 30, 2022, 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	27 years, closed
Discount rate:	6.85%
Salary increases:	3.00%
Investment rate of return	6.85%
Retirement age	60
Mortality	Pub 2010 using scale MP-2020
Healthcare Cost Trend Rate	Pre-65: 7.25% gradually decreasing 0.25% per year to an ultimate rate of 4.50% Post-65: 5.50% 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 2.20%. 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. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

City of Au Gres
Notes to the Financial Statements
June 30, 2022

Total OPEB Liability

Service cost	\$ 2,443
Interest	5,289
Differences between expected and actual experience	(18,510)
Benefit payments	<u>(35,507)</u>
Net change in total OPEB liability	(46,285)
Total OPEB liability - beginning	<u>256,962</u>
Total OPEB liability - ending	<u>\$ 210,677</u>

Plan Fiduciary Net Position

Employer contributions	\$ 60,507
Net investment loss	(2,774)
Benefit payments	(35,507)
Administrative expense	<u>(19)</u>
Net change in plan fiduciary net position	22,207
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ 22,207</u>

Net OPEB liability (a-b) \$ 188,470

Plan fiduciary net position as a percentage of total OPEB liability	10.54%
Covered payroll	N/A*
Net pension liability as a percentage of covered payroll	N/A*

*Contributions are not based on a measure of pay

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 (5.85%) or 1% higher (7.85%) than the current discount rate:

1% Decrease	Current Discount Rate	1% Increase
<u>\$ 202,638</u>	<u>\$ 188,470</u>	<u>\$ 174,953</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>\$ 171,564</u>	<u>\$ 188,470</u>	<u>\$ 207,250</u>

OPEB expense and deferred outflows of resources related to OPEB – For the year ended June 30, 2022, the City recognized OPEB expense of (\$10,889). The City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Total to Amortize
Net difference between projected and actual earning on plan investments	<u>\$ 2,904</u>	<u>\$ 2,904</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2023	\$ 726
2024	726
2025	726
2026	<u>726</u>
	<u>\$ 2,904</u>

City of Au Gres
Notes to the Financial Statements
June 30, 2022

Note 14 - 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 City expects such amounts, if any, to be immaterial.

City of Au Gres
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
Revenues				
Taxes				
Property taxes	\$ 233,000	\$ 233,000	\$ 243,495	\$ 10,495
Other taxes	19,200	19,200	20,886	1,686
Penalties and interest	3,000	3,000	3,014	14
Administration fee	15,000	15,000	14,993	(7)
Licenses and permits	9,000	9,000	11,818	2,818
Federal grants	-	43,000	12,838	(30,162)
State revenue sharing	82,000	107,000	112,888	5,888
State grants	-	200	175	(25)
Local contributions	66,755	56,755	55,729	(1,026)
Charges for services	69,150	69,150	70,022	872
Interest income	2,000	2,000	1,019	(981)
Rental income	5,700	5,700	6,070	370
Other revenue	4,500	4,500	8,189	3,689
Transfer in	15,000	15,000	15,000	-
Total revenues	<u>524,305</u>	<u>582,505</u>	<u>576,136</u>	<u>(6,369)</u>
Expenditures				
General government				
City Council	4,400	5,100	3,202	(1,898)
Manager	33,400	33,400	31,319	(2,081)
Clerk	64,900	64,900	52,039	(12,861)
Board of review	2,100	2,100	1,841	(259)
Assessor	22,200	22,200	20,138	(2,062)
Elections	2,500	900	426	(474)
Buildings and grounds	11,800	11,800	8,326	(3,474)
Cemetery	7,000	7,000	5,311	(1,689)
Total general government	<u>148,300</u>	<u>147,400</u>	<u>122,602</u>	<u>(24,798)</u>
Public safety				
Police	500	500	51	(449)

City of Au Gres
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Public works				
Department of public works	\$ 40,100	\$ 40,900	\$ 46,501	\$ 5,601
Drains	200	200	200	-
Street lighting	34,000	34,000	27,686	(6,314)
Trash removal	65,800	69,800	67,275	(2,525)
Total public works	<u>140,100</u>	<u>144,900</u>	<u>141,662</u>	<u>(3,238)</u>
Community and economic development				
Planning	1,000	10,000	8,319	(1,681)
Recreation and culture				
Parks and recreation	9,600	9,600	7,853	(1,747)
Other functions				
Insurance and bonds	8,000	8,100	8,096	(4)
Unallocated employee fringe benefits	155,400	193,400	146,822	(46,578)
Total other functions	<u>163,400</u>	<u>201,500</u>	<u>154,918</u>	<u>(46,582)</u>
Capital outlay	1,500	1,500	1,260	(240)
Debt service				
Principal retirement	65,000	65,000	65,000	-
Interest and fiscal charges	21,375	21,375	21,375	-
Total debt service	<u>86,375</u>	<u>86,375</u>	<u>86,375</u>	<u>-</u>
Transfers out	18,000	18,000	19,564	1,564
Total expenditures	<u>568,775</u>	<u>619,775</u>	<u>542,604</u>	<u>(77,171)</u>
Excess (deficiency) of revenues over expenditures	(44,470)	(37,270)	33,532	70,802
Fund balance - beginning of year	808,671	808,671	808,671	-
Fund balance - end of year	<u><u>\$ 764,201</u></u>	<u><u>\$ 771,401</u></u>	<u><u>\$ 842,203</u></u>	<u><u>\$ 70,802</u></u>

City of Au Gres
Required Supplemental Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Other state grants	\$ 91,500	\$ 91,500	\$ 105,386	\$ 13,886
Local contributions	2,000	2,000	2,000	-
Charges for services	8,000	8,000	10,645	2,645
Interest income	500	500	601	101
Total revenues	<u>102,000</u>	<u>102,000</u>	<u>118,632</u>	<u>16,632</u>
Expenditures				
Current				
Public works	53,100	55,900	32,051	(23,849)
Transfers out	<u>21,000</u>	<u>27,000</u>	<u>25,409</u>	<u>(1,591)</u>
Total expenditures	<u>74,100</u>	<u>82,900</u>	<u>57,460</u>	<u>(25,440)</u>
Excess of revenues over expenditures	27,900	19,100	61,172	42,072
Fund balance - beginning of year	<u>377,041</u>	<u>377,041</u>	<u>377,041</u>	<u>-</u>
Fund balance - end of year	<u>\$ 404,941</u>	<u>\$ 396,141</u>	<u>\$ 438,213</u>	<u>\$ 42,072</u>

City of Au Gres
Required Supplemental Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Other state grants	\$ 55,000	\$ 57,000	\$ 61,031	\$ 4,031
Interest income	200	200	88	(112)
Other revenue	-	-	74	74
Transfers in	21,000	45,000	44,973	(27)
Total revenues	<u>76,200</u>	<u>102,200</u>	<u>106,166</u>	<u>3,966</u>
Expenditures				
Current				
Public works	28,200	30,700	18,160	(12,540)
Capital outlay	107,000	192,000	184,256	(7,744)
Total expenditures	<u>135,200</u>	<u>222,700</u>	<u>202,416</u>	<u>(20,284)</u>
Excess (deficiency) of revenues over expenditures	(59,000)	(120,500)	(96,250)	24,250
Fund balance - beginning of year	<u>296,790</u>	<u>296,790</u>	<u>296,790</u>	<u>-</u>
Fund balance - end of year	<u>\$ 237,790</u>	<u>\$ 176,290</u>	<u>\$ 200,540</u>	<u>\$ 24,250</u>

City of Au Gres
Required Supplemental Information
Budgetary Comparison Schedule
Police Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
Revenues				
Taxes	\$ 57,500	\$ 59,000	\$ 59,893	\$ 893
Federal grants	100	36,600	36,411	(189)
Other state grants	1,750	1,750	1,511	(239)
Interest income	100	100	15	(85)
Other revenue	-	1,000	709	(291)
Sale of fixed assets	-	12,000	12,000	-
Total revenues	<u>59,450</u>	<u>110,450</u>	<u>110,539</u>	<u>89</u>
Expenditures				
Current				
Public safety	<u>56,150</u>	<u>112,150</u>	<u>98,841</u>	<u>(13,309)</u>
Excess (deficiency) of revenues over expenditures	3,300	(1,700)	11,698	13,398
Fund balance - beginning of year	<u>14,074</u>	<u>14,074</u>	<u>14,074</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 17,374</u></u>	<u><u>\$ 12,374</u></u>	<u><u>\$ 25,772</u></u>	<u><u>\$ 13,398</u></u>

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, 2022

Fiscal year ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ -	\$ -	\$ 5,251	\$ 5,191	\$ 5,117	\$ 5,201	\$ 5,276	\$ 5,027
Interest on the total pension liability	161,390	162,018	167,977	169,852	172,169	174,415	167,238	169,385
Experience differences	25,137	(30,929)	18,237	17,332	9,556	8,195	26,413	-
Changes in actuarial assumptions	61,477	76,493	59,110	-	-	-	101,443	-
Other changes	-	-	-	-	-	(1)	5,224	5,293
Benefit payments and refunds	(215,844)	(215,844)	(215,844)	(215,844)	(215,844)	(215,844)	(215,844)	(197,490)
Net change in total pension liability	32,160	(8,262)	34,731	(23,469)	(29,002)	(28,034)	89,750	(17,785)
Total pension liability - beginning	2,231,474	2,239,736	2,205,005	2,228,474	2,257,476	2,285,510	2,195,759	2,213,544
Total pension liability - ending (a)	<u>\$ 2,263,634</u>	<u>\$ 2,231,474</u>	<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>
Plan Fiduciary Net Position								
Employer contributions	\$ 143,502	\$ 133,746	\$ 127,494	\$ 107,418	\$ 84,810	\$ 71,256	\$ 65,232	\$ 123,552
Pension plan net investment income (loss)	226,901	187,552	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)	(215,844)	(215,844)	(197,490)
Pension plan administrative expense	(2,603)	(3,020)	(3,270)	(3,017)	(3,115)	(3,278)	(3,577)	(3,869)
Net change in plan fiduciary net position	151,956	102,434	98,375	(170,674)	61,778	17,740	(177,912)	28,057
Plan fiduciary net position - beginning	1,627,764	1,525,330	1,426,955	1,597,629	1,535,851	1,518,111	1,696,023	1,667,966
Plan fiduciary net position - ending (b)	<u>1,779,720</u>	<u>1,627,764</u>	<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>\$ 483,914</u>	<u>\$ 603,710</u>	<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	78.62%	72.95%	68.10%	64.71%	71.69%	68.03%	66.42%	77.24%
Covered payroll	N/A*	N/A*	\$ 49,869	\$ 49,248	\$ 48,547	\$ 49,345	\$ 50,249	\$ 47,877
Net pension liability as a percentage of covered payroll	N/A*	N/A*	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.

* Starting in fiscal year 2021, payroll is no longer a part of the calculation as the plan is closed and there are no active members.

City of Au Gres
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions
June 30, 2022

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%
2021	135,000	135,000	-	-	N/A*
2022	108,696	108,696	-	-	N/A*

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.

* Starting in fiscal year 2021, payroll is no longer a part of the calculation as the plan is closed and there are no active members

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	Pub-2010 Mortality Tables of 50% male and 50% female blend

City of Au Gres
Required Supplementary Information
Other Postemployment Benefits
Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2022

Fiscal year ended June 30,	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 2,443	\$ 6,473	\$ 9,776	\$ 11,297	\$ 10,203
Interest	5,289	9,588	9,157	6,704	5,985
Differences between expected and actual experience	(18,510)	-	-	-	-
Changes in assumptions	-	(9,359)	(28,147)	65,699	(30,695)
Benefit payments	(35,507)	(40,866)	-	(2,360)	(20,493)
Net change in total OPEB liability	(46,285)	(34,164)	(9,214)	81,340	(35,000)
Total OPEB liability - beginning	256,962	291,126	300,340	219,000	254,000
Total OPEB liability - ending (a)	<u>\$ 210,677</u>	<u>\$ 256,962</u>	<u>\$ 291,126</u>	<u>\$ 300,340</u>	<u>\$ 219,000</u>
Plan Fiduciary Net Position					
Employer contributions	\$ 60,507	\$ -	\$ -	\$ -	\$ -
Net investment income (loss)	(2,774)	-	-	-	-
Benefit payments and refunds	(35,507)	-	-	-	-
Administrative expense	(19)	-	-	-	-
Net change in plan fiduciary net position	22,207	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ 22,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability (a-b)	<u>\$ 188,470</u>	<u>\$ 256,962</u>	<u>\$ 291,126</u>	<u>\$ 300,340</u>	<u>\$ 219,000</u>
Plan fiduciary net position as a percentage of total OPEB liability	10.54%	0.00%	0.00%	0.00%	0.00%
Covered payroll	N/A*	N/A*	N/A*	N/A*	N/A*
Total OPEB liability as a percentage of covered payroll	N/A*	N/A*	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.

*Contributions are not based on a measure of pay

City of Au Gres
Required Supplementary Information
Other Postemployment Benefits
Schedule of Employer Contributions
June 30, 2022

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*
2021	25,605	-	25,605	N/A*	N/A*
2022	18,907	60,507	(41,600)	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.

*Contributions are not based on a measure of pay

Notes to Schedule of Contributions

Alternative measurement method valuation date: June 30, 2022

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level dollar
Remaining amortization period	27 years, closed
Discount rate	6.85%
Salary increases	3.00%
Investment rate of return	6.85%
Retirement age	60
Mortality	Pub 2010 using scale MP-2020
Healthcare Cost Trend Rate	Pre-65: 7.25% gradually decreasing .25% per year to an ultimate rate of 4.50% Post-65: 5.50% gradually decreasing .25% per year to an ultimate rate of 4.50%

City of Au Gres
Required Supplementary Information
Other Postemployment Benefits
Schedule of Investment Returns
June 30, 2022

Fiscal Year Ended June 30	Annual Return % *
2018	0.00%
2019	0.00%
2020	0.00%
2021	0.00%
2022	0.00%

* Annual money-weighted rate of return, net of investment expenses

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.

City of Au Gres
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Library</u>	<u>Mosquito</u>	<u>Library Building</u>	
Assets				
Cash and cash equivalents	\$ 164,741	\$ 2,479	\$ 76,687	\$ 243,907
Investments	-	-	39,661	39,661
Receivables				
Taxes	19,615	-	-	19,615
Total assets	<u>\$ 184,356</u>	<u>\$ 2,479</u>	<u>\$ 116,348</u>	<u>\$ 303,183</u>
Liabilities				
Due to other funds	\$ 106	\$ -	\$ -	\$ 106
Deferred inflows of resources				
Property taxes	19,615	-	-	19,615
Fund balances				
Restricted for				
Mosquito control	-	2,479	-	2,479
Capital projects	-	-	116,348	116,348
Library	164,635	-	-	164,635
Total fund balances	<u>164,635</u>	<u>2,479</u>	<u>116,348</u>	<u>283,462</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 184,356</u>	<u>\$ 2,479</u>	<u>\$ 116,348</u>	<u>\$ 303,183</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, 2022

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Library</u>	<u>Mosquito</u>	<u>Library Building</u>	
Revenues				
Taxes	\$ 59,498	\$ 24,453	\$ -	\$ 83,951
Interest income	173	3	1,724	1,900
Other revenue	-	-	275	275
Investment income (loss)	-	-	2,605	2,605
Total revenues	<u>59,671</u>	<u>24,456</u>	<u>4,604</u>	<u>88,731</u>
Expenditures				
Current				
Recreation and culture	55,656	23,900	-	79,556
Capital outlay	-	-	20,535	20,535
Total expenditures	<u>55,656</u>	<u>23,900</u>	<u>20,535</u>	<u>100,091</u>
Excess (deficiency) of revenues over expenditures	4,015	556	(15,931)	(11,360)
Fund balances - beginning of year	<u>160,620</u>	<u>1,923</u>	<u>132,279</u>	<u>294,822</u>
Fund balances - end of year	<u>\$ 164,635</u>	<u>\$ 2,479</u>	<u>\$ 116,348</u>	<u>\$ 283,462</u>

City of Au Gres
Other Supplementary Information
Component Unit - Tax Increment Financing Authority
Balance Sheet
June 30, 2022

Assets

Cash and cash equivalents	\$ 709,259
Receivables	
Taxes	47
Note	201,987
Accrued interest and other	<u>2,534</u>
Total assets	<u><u>\$ 913,827</u></u>

Liabilities

Due to primary government	<u>\$ 466</u>
---------------------------	---------------

Fund balance

Unassigned	<u>913,361</u>
------------	----------------

Total liabilities and fund balance	<u><u>\$ 913,827</u></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, 2022

Total component unit fund balance	\$ 913,361
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>327,083</u>
Net position of component unit	<u><u>\$ 1,240,444</u></u>

City of Au Gres
Other Supplementary Information
Component Unit - Tax Increment Financing Authority
Budgetary Comparison Schedule
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes	\$ 258,500	\$ 254,000	\$ 254,409	\$ 409
Interest income	500	5,500	5,800	300
Other revenue	40,000	50,000	48,174	(1,826)
Transfers in	53,085	-	-	-
Total revenues	<u>352,085</u>	<u>309,500</u>	<u>308,383</u>	<u>(1,117)</u>
Expenditures				
Current				
Community and economic development	140,855	140,855	113,423	(27,432)
Capital outlay	269,000	226,415	81,734	(144,681)
Total expenditures	<u>409,855</u>	<u>367,270</u>	<u>195,157</u>	<u>(172,113)</u>
Excess (deficiency) of revenues over expenditures	(57,770)	(57,770)	113,226	170,996
Fund balance - beginning of year	<u>800,135</u>	<u>800,135</u>	<u>800,135</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 742,365</u></u>	<u><u>\$ 742,365</u></u>	<u><u>\$ 913,361</u></u>	<u><u>\$ 170,996</u></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, 2022

Net change in fund balances - component unit	\$ 113,226
<p>Total change in net position reported for component unit in the statement of activities is different because</p> <p>Component unit reports 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.</p>	
Depreciation expense	(18,806)
Capital outlay	<u>23,350</u>
Change in net position of component unit	<u><u>\$ 117,770</u></u>

City of Au Gres
Other Supplementary Information
Schedule of Indebtedness
June 30, 2022

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Principal	Interest	Total
Governmental Activities						
City Improvement Bonds						
Date of issue 10/21/15						
amount of issue \$ 995,000						
	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>580,000</u>	<u>94,308</u>	<u>674,308</u>
Business-type Activities						
Notes Payable - TIFA						
Date of issue 1/5/2021;						
amount of issue \$ 250,000						
	2.000%	10/1/2022	\$ 48,987	\$ 48,987	\$ 4,096	\$ 53,083
	2.000%	10/1/2023	49,980	49,980	3,103	53,083
	2.000%	10/1/2024	50,993	50,993	2,089	53,082
	2.000%	10/1/2025	52,028	52,027	1,055	53,082
Total business-type activities				<u>201,987</u>	<u>10,343</u>	<u>212,330</u>
Total indebtedness				<u>\$ 781,987</u>	<u>\$ 104,651</u>	<u>\$ 886,638</u>



800.968.0010 | yeoandyeo.com

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 6, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Report on Compliance and Other Matters

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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
September 6, 2022