

DRAFT

Audited Financial Statements

City of Essexville
Bay County, Michigan

Year Ended June 30, 2022
with Report of Independent Auditors

City of Essexville
Audited Financial Statements

Year Ended June 30, 2022

Contents

Report of Independent Auditors.....	1
Required Supplementary Information	
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities.....	13
Fund Financial Statements	
Governmental Funds Balance Sheet.....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	17
Proprietary Funds Statement of Net Position.....	18
Reconciliation of Net Position on the Statement of Net Position for Enterprise Funds to the Net Position of Business-Type Activities on the Statement of Net Position	19
Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position.....	20
Reconciliation of the Statement of Revenues, Expenses, and Changes in Net Position of Enterprise Funds to the Statement of Activities.....	21
Proprietary Funds Statement of Cash Flows.....	22
Fiduciary Fund - Custodial Fund	
Statement of Net Position	23
Statement of Changes in Net Position	24
Notes to Financial Statements.....	25

City of Essexville
Audited Financial Statements
Year Ended June 30, 2022

Contents

Required Supplementary Information

Defined Benefit Pension Plan (MERS)	
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios.....	57
Schedule of Employer's Contributions	58
Defined Benefit Other Post-Employment Benefit Plan	
Schedule of Changes in Net OPEB Liability and Related Ratios.....	59
Schedule Changes in Net Schedule of OPEB Contributions	60
Budgetary Comparison Schedule – General Fund.....	61
Budgetary Comparison Schedule – Major Streets Fund.....	63
Budgetary Comparison Schedule – Local Streets Fund	64
Budgetary Comparison Schedule – Debt Service Fund.....	65
Budgetary Comparison Schedule – DDA	66

Other Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	68

Reports Required by *Government Auditing Standards*

Independent Auditors' 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>	69
---	----

Report of Independent Auditors

To the City Council
City of Essexville

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Essexville (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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Essexville, 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 (GAAS). 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 of Essexville 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 of Essexville's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 entity'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 on pages 4-11, the pension and other post-employment benefit information on pages 57-60, and the budgetary comparison information on pages 61-66, 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Essexville's basic financial statements. The combining and individual nonmajor fund financial statements for the year ended June 30, 2022 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relate 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2022.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023, on our consideration of the City of Essexville'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 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 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 of Essexville's internal control over financial reporting and compliance.

Midland, Michigan
January 26, 2023

City of Essexville

Management's Discussion and Analysis

June 30, 2022

This discussion and analysis of the City of Essexville's financial performance provides an overview of the City's financial activities for the year that ended on June 30, 2022. Please read it in conjunction with the financial statements following this section.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent year by \$1,765,356. Of this amount, \$(1,515,494) represents negative unrestricted net position. The negative unrestricted net position results from the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* ("OPEB").
- The City's total net position increased by \$1,265,660.
- At the close of the current year, the City's governmental funds reported combined fund balances of \$1,707,014, an increase of \$307,986 in comparison with the prior year. Approximately 42% of this amount, which is \$724,676, is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current year, unrestricted fund balance (the total of committed, assigned, and unassigned components of fund balance) for the General Fund was \$724,676, or approximately 45% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

City of Essexville

Management's Discussion and Analysis

June 30, 2022

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all, or a significant portion of, their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community development, and recreation and culture. The business-type activities of the City include sewer, water, and rubbish operations.

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

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

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

City of Essexville

Management's Discussion and Analysis

June 30, 2022

The City maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund.

The City adopts an annual appropriated budget for its General and special revenue funds. Budgetary comparison schedules for each major fund have been provided herein to demonstrate compliance with those budgets.

Proprietary funds. The City maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are used to report activities that provide supplies and services to the City's other programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund, Water Fund, and Rubbish and Trash Fund, each of which is considered to be a major fund of the City. The internal service fund is also presented in the proprietary fund financial statements.

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

The City maintains one fiduciary fund which is a custodial type fund that reports resources held by the City in a custodial capacity for individuals, private organizations, and other governments.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information related to the City's employee benefit plans and budget-to-actual comparisons for the General Fund, Major Street Fund, Local Street Fund, Debt Service Fund, and the Downtown Development Authority Fund.

City of Essexville

Management's Discussion and Analysis

June 30, 2022

The combining statements referred to earlier in connection with the nonmajor governmental fund is presented immediately following the aforementioned required supplementary information.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$1,765,356 at the close of the most recent year.

City of Essexville's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current assets	\$ 1,802,155	\$ 1,544,077	\$ 2,988,867	\$ 2,348,887	\$ 4,791,022	\$ 3,892,964
Capital assets, net	3,612,631	3,310,838	11,696,345	11,987,654	15,308,976	15,298,492
Total assets	5,414,786	4,854,915	14,685,212	14,336,541	20,099,998	19,191,456
Deferred outflows of resources	416,915	323,131	-	-	416,915	323,131
Liabilities						
Current liabilities	290,259	227,740	646,080	419,887	936,339	647,627
Long-term liabilities	5,296,153	5,547,877	12,428,005	12,583,005	17,724,158	18,130,882
Total liabilities	5,586,412	5,775,617	13,074,085	13,002,892	18,660,497	18,778,509
Deferred inflows of resources	91,060	236,382	-	-	91,060	236,382
Net position						
Net investment in capital assets	3,185,172	3,139,516	(886,660)	(745,351)	2,298,512	2,394,165
Restricted	982,338	785,793	-	-	982,338	785,793
Unrestricted	(4,013,281)	(4,759,262)	2,497,787	2,079,000	(1,515,494)	(2,680,262)
Total net position	\$ 154,229	\$ (833,953)	\$ 1,611,127	\$ 1,333,649	\$ 1,765,356	\$ 499,696

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining amount of \$1,515,494 represents negative unrestricted net position created by the recording the net pension and OPEB liabilities as required by GASB 68 and GASB 75.

City of Essexville

Management's Discussion and Analysis

June 30, 2022

City of Essexville's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 263,215	\$ 349,615	\$ 2,016,323	\$ 1,913,229	\$ 2,279,538	\$ 2,262,844
Operating grants and contributions	470,951	531,482	-	-	470,951	531,482
Capital grants and contributions	-	-	127,404	-	127,404	-
General revenues:						
Property taxes and fees	1,143,263	1,127,659	279,025	272,878	1,422,288	1,400,537
Grants and contributions not restricted to programs	467,332	415,626	-	-	467,332	415,626
Interest earnings, net	(12,592)	23,209	746	748	(11,846)	23,957
Gain/(loss) on sale of assets	23,027	40,708	-	-	23,027	40,708
Miscellaneous	11,374	39,003	4,572	4,932	15,946	43,935
Other revenue	-	-	259,754	247,687	259,754	247,687
Total revenues	2,366,570	2,527,302	2,687,824	2,439,474	5,054,394	4,966,776
Expenses						
General government	109,831	672,211	-	-	109,831	672,211
Public safety	635,793	715,692	-	-	635,793	715,692
Public works	564,188	572,136	-	-	564,188	572,136
Community development	10,406	1,804	-	-	10,406	1,804
Recreation and culture	58,170	22,217	-	-	58,170	22,217
Sewer	-	-	1,134,112	1,103,005	1,134,112	1,103,005
Water	-	-	899,813	908,336	899,813	908,336
Refuse	-	-	376,421	355,501	376,421	355,501
Total expenses	1,378,388	1,984,060	2,410,346	2,366,842	3,788,734	4,350,902
Change in net position	988,182	543,242	277,478	72,632	1,265,660	615,874
Net position-beginning	(833,953)	(1,377,195)	1,333,649	1,261,017	499,696	(116,178)
Net position-ending	154,229	\$ (833,953)	\$ 1,611,127	\$ 1,333,649	\$ 1,765,356	\$ 499,696

City of Essexville

Management's Discussion and Analysis

June 30, 2022

Governmental Activities. During the current year, net position for governmental activities increased \$988,182 from the prior year for an ending balance of \$154,229. The increase was due to a decrease in expenditures.

Business-Type Activities. During the current year, net position for business-type activities increased \$277,478 from the prior year for an ending balance of \$1,611,127. The current year increase was due to an increase in fees in charges for services and the receipt of federal funds.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

As of June 30, 2022, the City's governmental funds reported combined fund balances of \$1,707,014 an increase of \$307,986 in comparison with the prior year. Approximately 42% of this amount constitutes unassigned fund balance of \$724,676, which is available for spending at the City's discretion. The remainder of the fund balance \$982,338 is restricted for particular purposes.

The General Fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General Fund was \$724,676 which accounted for the entire General Fund balance. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 45% of total General Fund expenditures.

The fund balance of the City's General Fund increased \$111,441 during the current year. This increase was due to the City reducing expenditures during the year. Overall revenues decreased \$116,232 and expenditures decreased by \$60,302 compared to the prior year.

City of Essexville

Management's Discussion and Analysis

June 30, 2022

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Sewer Fund at the end of the year was \$1,435,541, for the Water Fund was \$1,012,816, and for the Rubbish and Trash Fund was \$98,810. The total increase in net position for the Sewer Fund was \$84,616, the increase in the the Water Fund was \$264,866, and the decrease in the Rubbish Fund was \$23,573. As noted earlier in the discussion of business-type activities, the change in net position for the Sewer Fund, Water Fund, and Rubbish and Trash Fund resulted from various factors.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget. During the year there was no need for any significant amendments to increase the original estimated revenues, appropriations, or other financing sources or uses.

Final Budget Compared to Actual Results. The most significant differences between estimated revenues and actual revenues were in the categories of state revenue. The most significant differences between estimated expenditures and actual expenditures were in the following categories: accounting and auditing, treasurer, city hall, police department, department of public works, parks and recreation, zoning, fringe benefits, pension, and capital outlay for public works, changes in accounting for pension and OPEB.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2022, amounts to \$15,308,976 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, infrastructure, equipment and the sewer and water systems. The total increase in capital assets for the current fiscal year was approximately .001%.

City of Essexville's Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 819,931	\$ 819,931	\$ -	\$ -	\$ 819,931	\$ 819,931
Buildings	616,876	645,994	-	-	616,876	645,994
Equipment	48,089	60,171	167,925	198,655	216,014	258,826
Vehicles	889,251	501,762	-	-	889,251	501,762
System	-	-	11,528,420	11,788,999	11,528,420	11,788,999
Infrastructure	1,238,484	1,282,980	-	-	1,238,484	1,282,980
	<u>\$ 3,612,631</u>	<u>\$ 3,310,838</u>	<u>\$ 11,696,345</u>	<u>\$ 11,987,654</u>	<u>\$ 15,308,976</u>	<u>\$ 15,298,492</u>

City of Essexville

Management's Discussion and Analysis

June 30, 2022

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$13,010,464. Of this amount, \$12,583,005 is debt backed by the full faith and credit of the government. The remainder of the City's long-term obligations comprises installment purchase contracts.

City of Essexville's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ -	\$ -	\$ 12,583,005	\$ 12,733,005	\$ 12,583,005	\$ 12,733,005
Installment purchase contracts	427,459	171,322	-	-	427,459	171,322
	<u>\$ 427,459</u>	<u>\$ 171,322</u>	<u>\$ 12,583,005</u>	<u>\$ 12,733,005</u>	<u>\$ 13,010,464</u>	<u>\$ 12,904,327</u>

The City's total debt increased by \$106,137, or .008%, during the current year.

Economic Factors and Next Year's Budgets and Rates

Projected revenues and expenditures for the 2022-2023 year are assumed to increase 2% per year in each category. These assumptions are based upon data accumulated about the history of total ad valorem assessed and taxable values, the consumer price index from 1997-2015, property tax revenues from years 2010-2015, and state revenue sharing (on the State of Michigan's fiscal year) from 2000-2015. In addition, the City has ongoing cost containment efforts in place.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to either: Mr. Craig Goulet, City Manager, email: cmanager@essexville.org or Ms. Dawn Hoder, City Treasurer, email: ctreasurer@essexville.org.

City of Essexville

Statement of Net Position

June 30, 2022

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
Assets			
Cash and cash equivalents	\$ 1,168,730	\$ 1,532,387	\$ 2,701,117
Investments	436,751	-	436,751
Accounts receivable, net	1,582	453,442	455,024
Assessments receivable, net	-	5,238	5,238
Internal balances	49,380	(49,380)	-
Due from other governmental units	145,712	-	145,712
Due from other funds	-	100,000	100,000
Restricted cash for USDA debt/reserve funds	-	947,180	947,180
Capital assets, net:			
Assets not being depreciated	819,931	-	819,931
Assets being depreciated	2,792,700	11,696,345	14,489,045
Total assets	5,414,786	14,685,212	20,099,998
Deferred outflows of resources			
Related to pension and OPEB	416,915	-	416,915
Liabilities			
Accounts payable	31,137	174,310	205,447
Accrued liabilities	8,841	3,900	12,741
Accrued interest payable	-	95,193	95,193
Due to other funds	100,000	-	100,000
Deposits and other liabilities	-	600	600
Unearned revenue	-	217,077	217,077
Long-term debt:			
Due in one year	150,281	155,000	305,281
Due in more than one year	277,178	12,428,005	12,705,183
Net pension liability	1,868,723	-	1,868,723
Net OPEB liability	3,150,252	-	3,150,252
Total liabilities	5,586,412	13,074,085	18,660,497
Deferred inflows of resources			
Related to pension and OPEB	91,060	-	91,060
Net position			
Net investment in capital assets	3,185,172	(886,660)	2,298,512
Restricted for:			
Streets and highways	764,218	-	764,218
Community development	218,120	-	218,120
Unrestricted	(4,013,281)	2,497,787	(1,515,494)
Total net position	\$ 154,229	\$ 1,611,127	\$ 1,765,356

See accompanying notes.

City of Essexville

Statement of Activities

Year Ended June 30, 2022

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating	Capital	Primary Government		Total
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 109,831	\$ 88,146	\$ 3,322	\$ -	\$ (18,363)		\$ (18,363)
Public safety	635,793	50,966	5,342	-	(579,485)		(579,485)
Public works	564,188	124,103	462,287	-	22,202		22,202
Community development	10,406	-	-	-	(10,406)		(10,406)
Recreation and culture	58,170	-	-	-	(58,170)		(58,170)
Total governmental activities	1,378,388	263,215	470,951	-	(644,222)		(644,222)
Business-type activities:							
Sewer	1,134,112	1,138,096	-	-		\$ 3,984	3,984
Water	899,813	598,137	-	127,404		(174,272)	(174,272)
Rubbish and trash fund	376,421	280,090	-	-		(96,331)	(96,331)
Total business-type activities	2,410,346	2,016,323	-	127,404		(266,619)	(266,619)
Total primary government	\$ 3,788,734	\$ 2,279,538	\$ 470,951	\$ 127,404		(266,619)	(910,841)
General revenues:							
Property taxes and related fees					1,143,263	279,025	1,422,288
Grants and contributions not restricted to specific programs					467,332	-	467,332
Interest earnings, net					(12,592)	746	(11,846)
Gain (loss) on sale of assets					23,027	-	23,027
Miscellaneous					11,374	4,572	15,946
Other revenue					-	259,754	259,754
Total general revenues					1,632,404	544,097	2,176,501
Change in net position					988,182	277,478	1,265,660
Net position-beginning					(833,953)	1,333,649	499,696
Net position-ending					\$ 154,229	\$ 1,611,127	\$ 1,765,356

See accompanying notes.

City of Essexville

Governmental Funds Balance Sheet

June 30, 2022

	General	Major Streets	Local Streets	Debt Service	DDA	Nonmajor Governmental Funds	Total
Assets							
Cash and cash equivalents	\$ 325,423	\$ 588,756	\$ 98,986	\$ -	\$ 121,807	\$ 9,759	\$ 1,144,731
Investments	340,362	-	-	-	96,389	-	436,751
Accounts receivable, net	1,582	-	-	-	-	-	1,582
Due from other governmental units	77,104	50,338	18,270	-	-	-	145,712
Due from other funds	12,835	-	-	-	-	-	12,835
Total assets	<u>\$ 757,306</u>	<u>\$ 639,094</u>	<u>\$ 117,256</u>	<u>\$ -</u>	<u>\$ 218,196</u>	<u>\$ 9,759</u>	<u>\$ 1,741,611</u>
Liabilities, deferred inflows of resources, and fund balances							
Liabilities:							
Accounts payable	\$ 26,497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,497
Accrued liabilities	6,133	778	1,113	-	76	-	8,100
Total liabilities	<u>32,630</u>	<u>778</u>	<u>1,113</u>	<u>-</u>	<u>76</u>	<u>-</u>	<u>34,597</u>
Restricted - streets and highways	-	638,316	116,143	-	-	9,759	764,218
Restricted - DDA	-	-	-	-	218,120	-	218,120
Unassigned	724,676	-	-	-	-	-	724,676
Total fund balances	<u>724,676</u>	<u>638,316</u>	<u>116,143</u>	<u>-</u>	<u>218,120</u>	<u>9,759</u>	<u>1,707,014</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 757,306</u>	<u>\$ 639,094</u>	<u>\$ 117,256</u>	<u>\$ -</u>	<u>\$ 218,196</u>	<u>\$ 9,759</u>	<u>\$ 1,741,611</u>

See accompanying notes.

City of Essexville

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

June 30, 2022

Total fund balances for governmental funds	\$ 1,707,014
--	--------------

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Capital assets	3,889,019
Accumulated depreciation	(1,203,970)

Deferred outflows represent financial uses, but are deferred expenses in the government-wide financial statements.	416,915
--	---------

Deferred inflows represent deferred pension-related financial sources that are recognized in future periods in the government-wide financial statements.	(91,060)
--	----------

The internal service funds are used by the City to charge the cost of operating a data processing service and a mobile equipment service to individual funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	542,077
---	---------

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances as of June 30, 2022 are:

Installment purchase contracts	(86,791)
Net pension & OPEB liabilities	<u>(5,018,975)</u>

Total net position of governmental activities	<u>\$ 154,229</u>
---	-------------------

City of Essexville

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

Year Ended June 30, 2022

	General	Major Streets	Local Streets	Debt Service	DDA	Other Governmental Funds	Total
Revenues							
Property taxes and related fees	\$ 1,103,776	\$ -	\$ -	\$ -	\$ 39,487	\$ -	\$ 1,143,263
Licenses and permits	82,226	-	-	-	-	-	82,226
State grants	455,481	328,949	118,902	-	26,714	952	930,998
Contributions from local units	-	-	-	-	-	-	-
Charges for services	156	-	-	-	-	-	156
Fines and forfeitures	6,254	-	-	-	-	-	6,254
Interest earnings and rents	(4,126)	-	-	-	(8,241)	-	(12,367)
Other revenue	60,910	-	-	-	-	-	60,910
Total revenues	1,704,677	328,949	118,902	-	57,960	952	2,211,440
Expenditures							
General government	326,221	-	-	-	-	-	326,221
Public safety	610,812	-	-	-	-	2,410	613,222
Public works	66,475	128,838	89,857	-	23,254	-	308,424
Community development	10,406	-	-	-	-	-	10,406
Recreation and culture	44,260	-	-	-	-	-	44,260
Capital outlay	23,856	61,000	4,859	-	-	-	89,715
Other functions - benefits	430,843	-	-	-	-	-	430,843
Debt Service	89,113	-	-	-	-	-	89,113
Total expenditures	1,601,986	189,838	94,716	-	23,254	2,410	1,912,204
Excess (deficiency) of revenues over expenditures	102,691	139,111	24,186	-	34,706	(1,458)	299,236
Other financing sources (uses)							
Proceeds from sale of capital assets	8,750	-	-	-	-	-	8,750
Total other financing sources (uses)	8,750	-	-	-	-	-	8,750
Net change in fund balances	111,441	139,111	24,186	-	34,706	(1,458)	307,986
Fund balances-beginning	613,235	499,205	91,957	-	183,414	11,217	1,399,028
Fund balances-ending	\$ 724,676	\$ 638,316	\$ 116,143	\$ -	\$ 218,120	\$ 9,759	\$ 1,707,014

See accompanying notes.

City of Essexville

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

Year Ended June 30, 2022

Net change in fund balances - total governmental funds	\$ 307,986
--	------------

The 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.

Add: capital outlay	4,911
Subtract: depreciation expense	(100,773)
Subtract: sale of fixed assets	(8,750)

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

Add: decrease in net pension liability net of related deferred outflows and inflows	768,008
---	---------

Debt proceeds are reported as financing sources in 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.

Add: repayments of installment purchase contract	84,531
--	--------

The internal service funds are used by the City to charge the costs of operating a data processing service and a mobile equipment service to individual funds. Some of the net revenue (expense) attributable to those funds is reported within governmental activities.

Net operating income (loss) from governmental activities in internal service funds	(182,709)
Gain (loss) on sale of capital assets in governmental internal service funds	14,277
Capital contributions from governmental internal service funds	100,000
Other reconciling items	701
Change in net position of governmental activities	<u>\$ 988,182</u>

City of Essexville

Proprietary Funds Statement of Net Position

June 30, 2022

	Proprietary Funds				Internal
	Sewer Fund	Water Fund	Rubbish and Trash Fund	Total	Service Fund
Assets					
Current assets:					
Cash and cash equivalents	\$ 653,509	\$ 839,012	\$ 39,866	\$ 1,532,387	\$ 23,999
Accounts receivable, net	265,925	129,273	58,244	453,442	-
Assessments receivable, net	2,646	1,095	1,497	5,238	-
Due from other funds	-	100,000	-	100,000	-
Restricted current assets:					
Cash for USDA debt/reserve funds	674,278	272,902	-	947,180	-
Total current assets	1,596,358	1,342,282	99,607	3,038,247	23,999
Noncurrent assets:					
Capital assets:					
Buildings and improvements, net	-	-	-	-	329,904
Equipment, net	167,924	-	-	167,924	54,300
Vehicles, net	-	-	-	-	543,378
Sewer and water system infrastructure, net	5,680,714	5,847,707	-	11,528,421	-
Total noncurrent assets	5,848,638	5,847,707	-	11,696,345	927,582
Total assets	7,444,996	7,189,989	99,607	14,734,592	951,581
Liabilities					
Current liabilities:					
Accounts payable	102,559	71,680	71	174,310	4,640
Due to other funds	-	-	-	-	112,835
Accrued expenses	1,495	1,679	726	3,900	741
Accrued interest payable	56,445	38,748	-	95,193	-
Deposits and other liabilities	318	282	-	600	-
Unearned Revenue	-	217,077	-	217,077	-
Bonds and contracts payable	105,000	50,000	-	155,000	63,490
Total current liabilities	265,817	379,466	797	646,080	181,706
Noncurrent liabilities:					
Bonds and contracts payable	6,842,000	5,586,005	-	12,428,005	277,178
Total liabilities	7,107,817	5,965,471	797	13,074,085	458,884
Net position					
Net investment in capital assets	(1,098,362)	211,702	-	(886,660)	586,914
Unrestricted	1,435,541	1,012,816	98,810	2,547,167	(94,217)
Total net position	\$ 337,179	\$ 1,224,518	\$ 98,810	\$ 1,660,507	\$ 492,697

City of Essexville

Reconciliation of Net Position on the Statement of Net Position for Enterprise Funds to
the Net Position of Business-Type Activities on the Statement of Net Position

June 30, 2022

Net position - total enterprise funds	\$ 1,660,507
---------------------------------------	--------------

Total net position reported for business-type activities in the statement of net position is different because:

The internal service fund is used by the City to charge the cost of operating mobile equipment service to individual funds. A portion of the assets and liabilities of the internal service fund is included in the business-type activities in the statement of net position.

	<u>(49,380)</u>
--	-----------------

Total net position of business-type activities	<u><u>\$ 1,611,127</u></u>
--	----------------------------

City of Essexville

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2022

	Proprietary Funds			Internal
	Sewer	Water	Rubbish and	Service
	Fund	Fund	Trash Fund	Fund
Operating revenues				
Charges for services	\$ 1,138,096	\$ 598,137	\$ 280,090	\$ 2,016,323
Property taxes and related fees	-	206,268	72,757	279,025
Miscellaneous	4,572	-	-	4,572
Total operating revenues	1,142,668	804,405	352,847	2,299,920
				132,103
Operating expenses				
Salaries and wages	70,666	117,378	31,762	219,806
Payroll taxes	5,260	8,531	2,300	16,091
Water purchases	-	297,443	-	297,443
Employee benefits	25,778	27,260	23,292	76,330
Retirement	25,921	30,751	8,049	64,721
Supplies	3,862	4,344	1	8,207
Postage	2,258	2,250	-	4,508
Professional and contracted services	426,700	12,152	285,739	724,591
Insurance	12,414	19,512	606	32,532
Telephone and communications	9,573	-	-	9,573
Professional development	97	1,201	-	1,298
Utilities	26,292	-	-	26,292
Equipment	-	-	-	-
Repair and maintenance	628	-	-	628
Building rent	63	525	-	588
Equipment rental	20,010	24,163	24,671	68,844
Miscellaneous	6,000	2,199	-	8,199
Depreciation	248,656	170,058	-	418,714
Total operating expenses	884,178	717,767	376,420	1,978,365
				266,381
Operating income (loss)	258,490	86,638	(23,573)	321,555
				(134,278)
Nonoperating revenues (expenses)				
Federal Grants	-	127,404	-	127,404
Interest earnings	516	230	-	746
Other revenue	53,826	205,928	-	259,754
Proceeds from sale of capital assets	-	-	-	-
Interest expense	(228,216)	(155,334)	-	(383,550)
Net nonoperating revenues (expenses)	(173,874)	178,228	-	4,354
				14,277
Changes in net position	84,616	264,866	(23,573)	325,909
				(120,001)
Total net position-beginning	252,563	959,652	122,383	1,334,598
Total net position-ending	\$ 337,179	\$ 1,224,518	\$ 98,810	\$ 1,660,507
				\$ 492,697

See accompanying notes.

City of Essexville

Reconciliation of the Statement of Revenues, Expenses, and Changes in Net Position of
Enterprise Funds to the Statement of Activities

Year Ended June 30, 2022

Net change in net position - total enterprise funds	\$ 325,909
---	------------

The change in net position reported for business-type activities in the statement of activities is different because:

The internal service funds are used by the City to charge the costs of operating mobile equipment service to individual funds. Some of the net revenue (expense) attributable to those funds is reported within business-type activities.

Change in net position of business-type activities	(48,431)
--	----------

	(48,431)
	<u>\$ 277,478</u>

City of Essexville

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2022

	Proprietary Funds				Internal Service Fund
	Sewer Fund	Water Fund	Rubbish and Trash Fund	Total	
Cash flows from operating activities					
Receipts from customers	\$ 1,108,274	\$ 712,653	\$ 356,230	\$ 2,177,157	\$ 132,103
Payments to suppliers	(511,156)	287,883	(312,234)	(535,507)	(15,509)
Payments to employees	(128,437)	(481,707)	(65,403)	(675,547)	(79,177)
Net cash from operating activities	468,681	518,829	(21,407)	966,103	37,417
Cash flows from noncapital financing activities					
Other revenue	53,826	205,928	-	259,754	14,277
Net cash from noncapital financing activities	53,826	205,928	-	259,754	14,277
Cash flows from capital and related financing activities					
Purchases and construction of capital assets	-	(127,405)	-	(127,405)	(477,168)
Proceeds from the sale of capital assets	-	-	-	-	5,298
Proceeds from issuance of capital debt	-	-	-	-	440,668
Principal paid on capital debt	(100,000)	(50,000)	-	(150,000)	(100,000)
Interest paid on capital debt	(228,216)	(155,334)	-	(383,550)	-
Net cash from capital and related financing activities	(328,216)	(332,739)	-	(660,955)	(131,202)
Cash flows from investing activities					
Interest earnings	516	230	-	746	-
Net cash from investing activities	516	230	-	746	-
Net change in cash and cash equivalents	194,807	392,248	(21,407)	565,648	(79,508)
Balances-beginning of year	1,132,980	719,666	61,273	1,913,919	103,507
Balances-end of year	\$ 1,327,787	\$ 1,111,914	\$ 39,866	\$ 2,479,567	\$ 23,999
Displayed as:					
Cash and cash equivalents	\$ 653,509	\$ 839,012	\$ 39,866	\$ 1,532,387	\$ 23,999
Restricted cash for USDA debt/reserve funds	674,278	272,902	-	947,180	-
	\$ 1,327,787	\$ 1,111,914	\$ 39,866	\$ 2,479,567	\$ 23,999
Reconciliation of operating income (loss) to net cash from operating activities:					
Operating income (loss)	\$ 258,490	\$ 86,638	\$ (23,573)	\$ 321,555	\$ (120,001)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation expense	248,656	170,058	-	418,714	69,304
Change in assets and liabilities:					
Accounts receivable and assessments, net	(34,394)	(91,752)	3,383	(122,763)	-
Accounts payable	(3,259)	9,748	(1,217)	5,272	102,391
Accrued expenses	(812)	(344)	-	(1,156)	-
Deposits and other liabilities	-	344,481	-	344,481	-
Net cash from operating activities	\$ 468,681	\$ 518,829	\$ (21,407)	\$ 966,103	\$ 51,694

City of Essexville

Fiduciary Fund - Custodial Fund
Statement of Net Position

June 30, 2022

	Current Tax Collection Fund
Assets	
Cash and cash equivalents	\$ -
Total assets	<u>\$ -</u>
Liabilities	
Due to other governmental units	\$ -
Total liabilities	<u>-</u>
Net Position	
Held in trust for benefits	<u>\$ -</u>

City of Essexville

Fiduciary Fund - Custodial Fund
Statement of Changes in Net Position

June 30, 2022

	Current Tax Collection Fund
Additions	
Amounts collected for other governments	\$ 3,982,264
Total additions	<u>3,982,264</u>
Deductions	
Amounts distributed to other governments	<u>(3,982,264)</u>
Total deductions	<u>(3,982,264)</u>
Change in net position	-
Net position-beginning	<u>-</u>
Net position-end	<u><u>\$ -</u></u>

City of Essexville

Notes to Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies

The accounting policies of the City of Essexville (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the City.

A. Description of Government-wide 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. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

The City is located in Bay County and is governed by an elected City Council (6 members) and an elected Mayor. The City provides services to its various residents in many areas, including general government, public safety, public works, community development, recreation and culture, sewer and water utilities, and rubbish collection services. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The City has no discretely presented component units.

Blended component unit. A *blended component unit* is a legally separate entity from the local governmental unit but is so intertwined with the unit that it is, in substance, the same as the local governmental unit. It is reported as part of the local governmental unit and blended into the appropriate fund types and account groups. The City of Essexville has blended its Downtown Development Authority into the financial statements. The Downtown Development Authority is appointed to preside over this specific district, and it is authorized to formulate plans for public improvements, economic development, neighborhood revitalization, and historic preservation within this area. Members of the board are approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

City of Essexville

Notes to Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies (continued)**C. Basis of Presentation – Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental and internal service funds, while business-type activities incorporate data from the City's enterprise funds. 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and other charges between the City's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Enterprise funds are used to account for operations:

- a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or
- b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

City of Essexville

Notes to Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies (continued)**D. Basis of Presentation – Fund Financial Statements (continued)**

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Major Streets Fund* is a legally mandated fund to account for specific proceeds of revenue from the Michigan Department of Transportation and to account for the legally restricted expenditures of those funds related to the maintenance and construction of major roads within the City.

The *Local Streets Fund* is a legally mandated fund to account for specific proceeds of revenue from the Michigan Department of Transportation and to account for the legally restricted expenditures of those funds related to the maintenance and construction of local roads within the City.

The *Debt Service Fund* is used to accumulate tax revenues for purposes of making interest and principal payments on General Obligation bonds.

The *Downtown Development Authority Fund (DDA)* is used to account for revenues and expenditures related to the economic development, neighborhood revitalization, historic preservation, and capital improvements within its district, funded by various grants and millage increases.

The City reports the following major proprietary funds:

The *Sewer Fund* is used to account for the revenue and expenses for the operation of a sewer system for the residents of the City. Activities of the fund include administration, operation and maintenance of the sewer lines and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt. Costs are financed through charges to customers.

The *Water Fund* is used to account for the provision of water to the residents of the City. Activities of the fund include administration, operation and maintenance of the water system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt. Costs are financed through charges to customers.

City of Essexville

Notes to Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies (continued)**D. Basis of Presentation – Fund Financial Statements (continued)**

The *Rubbish and Trash Fund* accounts for the activities of garbage collection and is financed primarily by a user charge for the provision of those services.

Additionally, the City reports the following fund types:

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

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The City reports the following fiduciary fund:

The *Tax Collection Fund* is a custodial fund to account for collection of property taxes by the City on behalf of other local governmental units.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

City of Essexville

Notes to Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies (continued)**E. Use of Estimates**

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the net pension and OPEB liabilities.

F. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The 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 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

City of Essexville

Notes to Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies (continued)**F. Measurement Focus and Basis of Accounting (continued)**

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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

G. Budgetary Information

Budgets and Budgetary Accounting—The City follows the following procedures in establishing the budgetary data reflected in the financial statements.

- The City Manager submits to the City Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to June 1, the budget is legally enacted by adoption of the City Council.
- The City Manager is authorized to transfer certain budgeted amounts between departments within any fund. Revisions that alter the total expenditure of any fund must be approved by the City Council. The legal level of the control is at the activity level.
- Formal budgetary integration is employed as a management control device during the year for all funds.
- Budgets for the General and Special Revenue Funds are prepared on a modified accrual basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
- All annual budget appropriations lapse at fiscal year-end.

City of Essexville

Notes to Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies (continued)**G. Budgetary Information (continued)**

Excess of expenditures over appropriations—During the year, the City incurred expenditures which were in excess of the amounts appropriated, as follows:

	Budget	Actual	Variance
General Fund:			
General government:			
Administration	\$ 65,011	\$ 65,783	\$ (772)
Clerk	76,154	76,850	(696)
Accounting and auditing	12,000	20,925	(8,925)
Forestry	16,825	21,024	(4,199)
Public safety:			
Fire department	67,304	71,175	(3,871)
Inspections	28,515	32,697	(4,182)
Other Functions:			
Fringe benefits	199,941	230,185	(30,244)
Major Streets:			
Public works:			
Retirement	8,200	10,647	(2,447)
Professional and contractual	19,100	19,878	(778)
Local Streets:			
Public works:			
Retirement	9,100	10,408	(1,308)
Capital outlay	3,000	4,859	(1,859)
Downtown Development Authority:			
Public works:			
Retirement	10,000	12,317	(2,317)
Miscellaneous	-	2,616	(2,616)

City of Essexville

Notes to Financial Statements

June 30, 2022

H. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash 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.

Receivables and Payables – All trade and property tax receivables are shown net of allowance for uncollectible amounts.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid items in the government-wide and fund statements.

Restricted Cash – The City's 2010 sewage disposal bonds require that the City maintain a bond reserve account and a repair and replacement account. The bond reserve account is designated for bond principal and interest payments on the bonds require \$33,200 to be deposited into the account each June 30th until there is an accumulated sum of \$384,000. Total funds in the bond reserve account as of June 30, 2022 are \$342,486. These funds are restricted to be used for future debt payments.

The repair and replacement account required an initial deposit of \$100,000 into the sewer fund. Each June 30th, the amount of \$33,333 is to be deposited into the repair and replacement account until the sum of \$384,000 has been deposited in the bond reserve account, after which the amount of \$65,533 shall be deposited annually in the repair and replacement account until the bonds are paid in full. Total funds in the repair and replacement account at June 30, 2022 totaled \$331,792. These funds are restricted to be used to pay for emergency maintenance of the system, extensions to systems facilities, and replacement of system assets having useful lives ending prior to the final maturity of the bonds.

As of June 30, 2022, the Water Fund has restricted cash totaling \$272,902 consisting of a construction cash account of \$0 and a reserve cash account of \$272,902.

Capital Assets – Capital assets (which include property, plant, equipment, and infrastructure assets) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

City of Essexville

Notes to Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies (continued)**H. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)**

Interest incurred, if any, during the construction of capital assets of business-type activities has not been included as part of the capitalized value of the assets constructed. Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	10 to 20 years
Infrastructure	20 to 40 years
Buildings and additions	25 to 40 years
Sewer and water systems	25 to 40 years
Vehicles	5 to 10 years
Furniture and other equipment	5 to 10 years

Deferred outflows/inflows of resources— In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports the deferred outflows of resources related to the City's net pension liability. Net pension obligation amounts are amortized over the actuarial calculated expected remaining service life of the members. Also, employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government reports the deferred outflows of resources related to the City's net pension liability and its net OPEB liability. Net pension obligation amounts are amortized over the actuarial calculated expected remaining service life of the members.

Compensated Absences—The City grants paid time off (PTO) to its employees based on the employee's length of service. The policy permits personnel to elect to receive a payout of accrued PTO up to 80 hours in the first pay period of December or the first pay period of the following January if required by a provisions of a collective bargaining agreement.

At the end of each calendar year, employees may carry over up to 80 hours of PTO to the subsequent calendar year. Employees must use the PTO no later than June 30 of the current year. Labor contracts may specify this carryover differently and supersede the Personnel Policy.

City of Essexville

Notes to Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies (continued)**H. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)**

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 of the Michigan Municipal Employees Retirement System (MERS) and additions to/deductions from MERS fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits—For purposes of measuring net Other Post-Employment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Employer's fiduciary net position have been determined on the same basis as they are reported by the Employer. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-Term Obligations—In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported inclusive of the applicable bond premium or net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

City of Essexville

Notes to Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies (continued)

H. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Net Position Flow Assumption—Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds or donations) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance Flow Assumption—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The City's policy is that when multiple classifications are available and appropriate for a specific purpose, fund balance will be used first from the most restrictive category in order to the least restrictive.

Fund Balance Policies—In the fund financial statements, fund balance is presented in five possible categories:

Nonspendable – amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted – amounts constrained to specific purposes by their providers (such as creditors, grantors, and higher levels of government), through constitutional provisions, or by enabling legislations.

Committed – amounts which are subject to limitations the City imposes upon itself through official actions made by the City Commission, and that remain binding unless removed in the same manner.

Assigned – amounts neither restricted nor committed for which the City has a stated intended use as established by the City Commission or an official to which the City Commission has delegated the authority to assign amounts for specific purposes.

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

City of Essexville

Notes to Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies (continued)**I. Adoption of New Accounting Standards**

On July 1, 2021, the City adopted GASB Statement No. 87, *Leases*, and subsequent pronouncements (GASBS No. 87.) This standard applies to all state and local governments and establishes a single model for all lease accounting. The concept within this model is that a lease is a financing arrangement that permits the use on an underlying asset for a period of time. As such, a lessee would record (in financial statements using the economic resources measurements focus) a lease liability and an intangible right-of-use asset. A lessor would record a lease receivable and a deferred inflow of resources. An exception is granted for short-term leases, which are defined as "a lease that, at the beginning of the lease, has a maximum possible term under the contract of 12 months or less, including any option to extend, regardless of its probability of being exercised." The requirement of this standard became effective for the City's fiscal year ending June 30, 2022. As of June 30, 2022, the City had no leasing arrangements that required recognition under this standard.

J. Revenues and Expenditures/Expenses

Program Revenues—Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—The City's property taxes are levied and become a lien each July 1st, based on the taxable valuation of property located in the City as of the preceding December 31st. These taxes are due on August 31st with the final collection date of March 2nd before they are added to the County's delinquent tax rolls. The City's property tax revenues are recognized as revenues in the fiscal year levied to the extent they are measurable and available. The taxable valuation of City properties totaled \$77,090,014. Ad Valorem taxes levied on this valuation consisted of 13.7600 mills for City operations; .9500 mills for trash collection; 1.0000 mills for the Downtown Development Authority; and 2.6931 mills for bond debt in the water fund.

City of Essexville

Notes to Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies (continued)**J. Revenues and Expenditures/Expenses (continued)**

Proprietary Funds Operating and Nonoperating Revenues and Expenses—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 City's enterprise and internal service funds are charges to customers for sales and services. The Sewer and Water funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise funds and internal service funds 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.

2. Deposits and Investments

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

	Deposits	Investments	Total
Financial statement caption:			
Cash and cash equivalents	\$ 2,701,117	\$ -	\$ 2,701,117
Investments	-	436,751	436,751
Restricted cash and cash equivalents	947,180	-	947,180
	<u>\$ 3,648,297</u>	<u>\$ 436,751</u>	<u>\$ 4,085,048</u>

As more fully detailed in Note 5, restricted cash consists of debt and maintenance reserve funds held in connection with the City's Sewer Fund and Water Fund bonds.

Michigan Compiled Laws, §129.91, authorizes local governmental units to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision 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.

City of Essexville

Notes to Financial Statements

June 30, 2022

2. Deposits and Investments (continued)

The investment policy adopted by the City in accordance with Public Act 196 of 1997, has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City's deposits and investment policy are in accordance with statutory authority.

As of June 30, 2022, the City had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity
Certificates of deposit	\$ 181,232	1 year
U.S. money market securities	159,130	<1 year
U.S. Home Loan Mortgage Corporation		
Medium Term 1.5% Notes	96,389	2-3 years
	<u>\$ 436,751</u>	

Investment and Deposit Risk

Custodial Credit Risk – Deposits—Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$324,310 of the City's bank balances of \$3,646,001 was exposed to custodial credit risk because it was uninsured and uncollateralized. The City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk – Investments—For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require a policy for investment custodial credit risk. The City's investment policy requires that investments securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of deliver-versus-payment.

Interest Rate Risk—Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. To the extent possible, the City attempts to match its investments with anticipated cash flow requirements. Short-term funds matched to a specific cash flow requirement shall be invested in securities maturing not more than two years from the date of purchase. Long-term funds (capital projects, debt service, etc.) matched to a specific cash flow requirement may be invested in securities maturing not more than five years from the purchase date.

City of Essexville

Notes to Financial Statements

June 30, 2022

2. Deposits and Investments (continued)**Investment and Deposit Risk (continued)**

Credit Risk—Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Credit risk ratings, when applicable, have been identified above for the City's investments.

Concentration of Credit Risk— The City diversifies its investment portfolio by specific dates, security types and institution so that potential losses of individual securities do not exceed income that would be generated by the remainder of the portfolio.

3. Capital Assets

Capital asset activity of the primary government for the current period was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 819,931	\$ -	\$ -	\$ 819,931
Construction in progress	-	-	-	-
Total capital assets not being depreciated	819,931	-	-	819,931
Capital assets being depreciated:				
Infrastructure	1,748,513	-	-	1,748,513
Buildings and improvements	1,136,519	-	-	1,136,519
Vehicles, furniture and equipment	1,664,421	477,168	(111,315)	2,030,274
Total capital assets being depreciated	4,549,453	477,168	(111,315)	4,915,306
Less accumulated depreciation:				
Infrastructure	(465,533)	(29,118)	-	(494,651)
Buildings and improvements	(490,525)	(44,496)	-	(535,021)
Vehicles, furniture and equipment	(1,102,488)	(96,463)	106,017	(1,092,934)
Total accumulated depreciation	(2,058,546)	(170,077)	106,017	(2,122,606)
Total capital assets being depreciated, net	2,490,907	307,091	(5,298)	2,792,700
Governmental activities capital assets, net	\$ 3,310,838	\$ 307,091	\$ (5,298)	\$ 3,612,631

City of Essexville

Notes to Financial Statements

June 30, 2022

3. Capital Assets (continued)

Business-type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Buildings and improvements				
Water and sewer distribution systems	14,851,955	127,405	-	14,979,360
Furniture and equipment	508,456	-	-	508,456
Total capital assets being depreciated	15,360,411	127,405	-	15,487,816
Less accumulated depreciation:				
Buildings and improvements				
Water and sewer distribution systems	(3,062,956)	(387,984)	-	(3,450,940)
Furniture and equipment	(309,801)	(30,730)	-	(340,531)
Total accumulated depreciation	(3,372,757)	(418,714)	-	(3,791,471)
Total capital assets being depreciated, net	11,987,654	(291,309)	-	11,696,345
Business-type activities capital assets, net	\$11,987,654	\$ (291,309)	\$ -	\$11,696,345

Depreciation expense was charged to programs of the City as follows:

Governmental Activities	
General government	\$ 22,411
Public safety	33,866
Public works	44,496
Internal Service Fund depreciation	69,304
	<u>\$ 170,077</u>
Business-Type Activities	
Sewer	\$ 248,656
Water	170,058
	<u>\$ 418,714</u>

City of Essexville

Notes to Financial Statements

June 30, 2022

4. Interfund Receivables, Payables, and Transfers

As of June 30, 2022, there were no interfund transfers. The composition of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Due to</u>	<u>Fund</u>	<u>Due from</u>
Water Fund	\$ 100,000	Internal Service Fund	\$ 100,000

These balances result from the lag time the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

5. Long-Term Debt

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties which are repaid from amounts levied against those properties that directly benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

City of Essexville

Notes to Financial Statements

June 30, 2022

5. Long-Term Debt (continued)

Bond and contractual agreements can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Fire Truck municipal financed purchase due 8/1/2022	\$ 171,322	\$ -	\$ (84,531)	\$ 86,791	\$ 86,791
Equipment Fund:					
Truck combination sewer cleaner financed purchase due 2026, 3.73% interest	\$ -	\$ 440,668	\$ (100,000)	\$ 340,668	\$ 63,490
	<u>\$ 171,322</u>	<u>\$ 440,668</u>	<u>\$ (184,531)</u>	<u>\$ 427,459</u>	<u>\$ 150,281</u>
Business-Type Activities					
Sewer Fund					
Sewage system revenue bonds, due 2051, 2.5% interest	\$ 7,047,000	\$ -	\$ (100,000)	\$ 6,947,000	\$ 105,000
Water Fund					
General obligation unlimited tax bonds, series 2017, due 2056, 2.75% interest	\$ 5,686,005	\$ -	\$ (50,000)	\$ 5,636,005	\$ 50,000
	<u>\$ 12,733,005</u>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ 12,583,005</u>	<u>\$ 155,000</u>

The Sewer Fund and Water Fund bonds are held by the United States Department of Agriculture and are not subject to defeasance. Debt and maintenance reserves held as restricted cash consist of the following:

	Debt	Maintenance	Total
Sewer Fund	\$ 342,486	\$ 331,792	\$ 674,278
Water Fund	272,902		272,902
			<u>\$ 947,180</u>

City of Essexville

Notes to Financial Statements

June 30, 2022

5. Long-Term Debt (continued)

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

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 150,281	\$ 14,348	\$ 155,000	\$ 380,768
2024	65,731	9,796	185,000	375,982
2025	68,052	7,465	200,000	370,342
2026	70,454	5,063	220,000	364,218
2027	72,941	2,575	230,000	357,444
2028-2032	-	-	1,320,000	1,673,404
2033-2037	-	-	1,695,000	1,446,126
2038-2042	-	-	2,280,000	1,146,716
2043-2047	-	-	2,910,000	767,726
2048-2052	-	-	2,102,000	320,708
2053-2057	-	-	1,286,005	107,390
	<u>\$ 427,459</u>	<u>\$ 39,247</u>	<u>\$ 12,583,005</u>	<u>\$ 7,310,824</u>

6. Segment Information—Enterprise Funds

The City issued revenue bonds to finance certain improvements to its sewer and water systems. Because the Sewer and Water Funds are individual major funds that account entirely for the City's sewage treatment activities and water distribution, segment disclosures herein are not required.

7. Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The City participates, with other local units of government, in the Michigan Municipal Liability and Property Pool (MML) which is a public entity risk (insurance) pool. This self-insurance plan provides members with loss protection for workers' compensation, property damage, and general liability.

City of Essexville

Notes to Financial Statements

June 30, 2022

7. Risk Management (continued)

The City pays an annual premium to this provider, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based on property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

With respect to the City's participation in MML, when a claim is incurred and/or paid, the member's loss contribution account is charged or credited according to the member's actual loss experience; no obligation is credited for another member's losses. If contributions are in excess of actual expenses and reserves, future contributions are decreased. Should any member have more losses paid on their behalf than contributions covering such losses, credit is extended within the association joint loss fund; such a deficit is repaid by the member in future contributions.

The plan does not maintain separate funds for members and consequently the City's share of total assets and total equity is unknown. Audited financial statements of the plan are available.

8. Defined Benefit Pension Plan*General Information about the Pension Plan*

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at 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 55 with 25 years of service for unreduced benefits. Early retirement is available at 50 with 25 years of service and at 55 with 15 years of service, but the benefits are reduced. Final average compensation is calculated based between 3 and 5 years. Member contributions range from 4.70% to 5.00%.

City of Essexville

Notes to Financial Statements

June 30, 2022

8. Defined Benefit Pension Plan (continued)

Employees covered by benefit terms. As of the December 31, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>9</u>
	<u>44</u>

Contributions. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the 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 City may establish contribution rates to be paid by its covered employees.

Since all six of the Plan's divisions are closed to new employees, the City pays monthly dollar contributions which range from \$1,366 to \$9,506 depending on the division. Employee contributions range from 4.7% to 5.0%. The City paid approximately \$293,454 in pension contributions for the year ended June 30, 2022.

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:

- Inflation: 2.5%
- Salary Increases: 3.00%
- Investment rate of return: 7.00%
- Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend
- The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience studies completed in 2018 and 2020

City of Essexville

Notes to Financial Statements

June 30, 2022

8. Defined Benefit Pension Plan (continued)

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 of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Rate of Return
Global Equity	60.0%	4.65%	2.50%	3.15%
Global Fixed Income	20.0%	0.75%	2.50%	0.25%
Private Investments	20.0%	1.95%	2.50%	1.45%
Total	100.00%	7.35%		4.85%

Discount Rate. The discount rate used to measure the total pension liability is 7.6% for 2021. 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 plan's 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 Essexville

Notes to Financial Statements

June 30, 2022

8. Defined Benefit Pension Plan (continued)*Changes in Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balances at December 31, 2020	\$ 7,257,657	\$ 5,043,555	\$ 2,214,102
Changes for the year			
Service Cost	65,671	-	65,671
Interest on total pension liability	533,990	-	533,990
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(179,317)	-	(179,317)
Changes in assumptions	249,069	-	249,069
Employer contributions	-	293,454	(293,454)
Employee contributions	-	28,168	(28,168)
Net investment income	-	701,214	(701,214)
Benefit payments, including employee refunds	(528,606)	(528,606)	-
Administrative expense	-	(8,045)	8,045
Other changes	(1)	-	(1)
Net changes	140,806	486,185	(345,379)
Balances as of December 31, 2021	\$ 7,398,463	\$ 5,529,740	\$ 1,868,723

City of Essexville

Notes to Financial Statements

June 30, 2022

8. Defined Benefit Pension Plan (continued)

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 7.6%, as well as what the employer's net pension liability would be using a discount rate that is 1% point lower (6.6%) or 1% higher (8.6%) than the current rate.

	1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
Net pension liability	\$ 2,668,783	\$ 1,868,723	\$1,194,817

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2022 the employer recognized pension expense of \$216,404. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ (89,659)
Differences in assumptions	124,535	-
Excess (Deficit) Investment Returns	146,142	-
Contributions subsequent to the measurement date*	147,177	-
Total	\$ 416,854	\$ (89,659)

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2022.

City of Essexville

Notes to Financial Statements

June 30, 2022

8. Defined Benefit Pension Plan (continued)

Amounts reported as deferred outflows and inflows of resources related to pensions, excluding contributions subsequent to the measurement date, will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2022	\$ 122,829
2023	(23,727)
2024	16,701
2025	65,215
	<u>\$ 181,018</u>

Funding Policy – The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 26 years.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

9. Other Post-Employment Benefit Plan (OPEB)*Plan Description*Summary of Significant Accounting Policies

For purposes of measuring the net Other Post-Employment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the Employer's fiduciary net position have been determined on the same basis as they are reported by the Employer. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

City of Essexville Post-Retirement Health Insurance Plan is a single employer plan established and administered by City of Essexville and can be amended at its discretion. The Plan is closed to new employees. Benefit payments are made from general operating funds.

City of Essexville

Notes to Financial Statements

June 30, 2022

9. Other Post-Employment Benefit Plan (OPEB) (continued)*Plan Description (continued)*Plan Membership

As of December 31, 2021, the OPEB plan consisted of:

Active plan members	2
Inactive plan members receiving benefits	-
Spouses of inactive plan members receiving benefits	14
Total	<u>16</u>

Benefits Provided

The OPEB plan provides medical insurance for eligible retirees and their dependents through the City's group health insurance plan, which covers both active and retired eligible members and their spouses. Benefit provisions are established and amended by the union contracts throughout negotiations between the City and the respective unions or as established by the City for non-union employees.

Contributions

The City of Essexville Post-Retirement Health Insurance Plan was established and is being funded under the authority of the City. The plan's funding policy is that the employer will contribute any required amounts as determined by an annual actuarial valuation as a reference but not as a definitive requirement. The City of Essexville has the authority to establish and amend the obligations of the City of Essexville and plan members to contribute to the plan. Active plan members are currently not obligated to make contributions to the plan. Currently, benefit payments are made from general operating funds. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

OPEB Plan Investments

Investment Policy – The City Treasurer may invest funds held in the Retiree Healthcare Trust Fund at his/her discretion including common or preferred stocks, bonds, certificates of deposit, interest or participation, mutual funds, and other forms of security investments.

Rate of Return – This did not apply to the City's OPEB plan for the year ended June 30, 2021 since the City has not yet established a trust for the accumulation of investments.

City of Essexville

Notes to Financial Statements

June 30, 2022

9. Other Post-Employment Benefit Plan (OPEB) (continued)Net OPEB Liability of the City

The components of the net OPEB liability of the City as of June 30, 2022, were as follows:

Total OPEB liability	\$ 3,150,252
OPEB plan fiduciary net position	-
Net OPEB liability	<u>\$ 3,150,252</u>
Plan fiduciary net position as a percentage of the Total OPEB liability	0.00%

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of December 31, 2021. The following actuarial assumptions were used in the measurement.

Inflation	Not applicable
Salary Increases	3.0% (for purposes of allocating liability)
Discount Rate	1.93%
Investment Rate of Return	N/A since this plan is not pre-funded
20-year Aa Municipal bond rate	2.25% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	Public General 2010 Employee and Healthy Retiree, Handcount weighted
Improvement Scale	MP-2021

City of Essexville

Notes to Financial Statements

June 30, 2022

9. Other Post-Employment Benefit Plan (OPEB) (continued)***OPEB Plan Investments (continued)***

Discount Rate – The discount rate used to measure the total OPEB liability was 1.93%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For fiscal years subsequent to the valuation date, projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield and is used to determine the Total OPEB Liability. As of December 31, 2020, the discount rate used to value OPEB liabilities was 1.93%. The discount rate used to value OPEB liabilities at December 31, 2021 was 1.93%.

Changes in the Net OPEB Liability			
	<u>Increase (Decrease)</u>		
	Total OPEB	Plan	Net OPEB
	Liability	Fiduciary	Liability
		Net Position	
Balances as of December 31, 2020	\$ 3,333,775	\$ -	\$ 3,333,775
Changes for the Year:			
Service cost	35,589	-	35,589
Interest on the total OPEB liability	63,607	-	63,607
Changes in benefits	-	-	-
Difference between expected and actual experience	6,145	-	6,145
Changes in actuarial assumptions	(141,455)	-	(141,455)
Employer contributions to OPEB Trust	-	-	-
Contributions paid from general operating funds	-	147,409	(147,409)
Net investment income	-	-	-
Benefit payments, including employee refunds	(147,409)	(147,409)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	(183,523)	-	(183,523)
Balances as of December 31, 2021	\$ 3,150,252	\$ -	\$ 3,150,252

City of Essexville

Notes to Financial Statements

June 30, 2022

9. Other Post-Employment Benefit Plan (OPEB) (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate 1-percentage-point lower and 1-percentage-point higher than the current discount rate:

	1% Decrease (0.93%)	Current Rate (1.93%)	1% Increase (2.93%)
Net OPEB Liability	\$ 3,627,111	\$ 3,150,252	\$ 2,764,948

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rates 1-percentage-point lower and 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (3.50%)	Current Healthcare Cost Trend Rates (4.50%)	1% Increase (5.50%)
Net OPEB Liability	\$ 2,738,230	\$ 3,150,252	\$ 3,661,828

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the City recognized OPEB expense as follows:

	OPEB Expense
Service cost	\$ 35,589
Interest on the total OPEB liability	63,607
Experience (gains) / losses	(56,683)
Changes in assumptions	(107,002)
Employee contributions	-
Projected earnings on OPEB investments	-
Investment earnings (gains)/losses	-
Administrative expense	-
Other changes	-
Total OPEB expense	<u>\$ (64,489)</u>

City of Essexville

Notes to Financial Statements

June 30, 2022

10. Pension Plan

The City provides pension benefits to employees of the City through a defined contribution plan administered by MERS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City contributes 6% of employee gross earnings and the employee contributes 6% of earnings. In accordance with these requirements, the City and employees each contributed \$16,494 during the current year.

11. Connection to Bay County Treatment Plant

During 2010, the City entered into an agreement with Bay County Department of Water and Sewer for sewer treatment services. The City paid a one-time connection fee to the County Wastewater Treatment Plant and paid a percentage of costs for upgrading the sewage storage system at the West Bay County Regional Wastewater Treatment Plant. In addition, the City incurred cost of infrastructure by running pipes under the Saginaw River to connect to the treatment plant. All these costs were recorded in the Sewer fund as capital assets in the amount of \$7,989,144. The connection costs and construction were financed by Federal USDA revenue bonds and a USDA grant.

12. Investment in Bay Area Water Treatment Plant

In January of 2013, the City entered into an agreement with the City of Bay City and Bay County to construct a new Bay Area Water Treatment Plant. The City along with the other local governmental units agreed to share the cost of the plant based upon each unit's portion of total water usage. The plant will be held by Bay County on behalf of the local government units. When debt to finance the construction of the plant and system has been retired, title to the Plant will be transferred to the local governmental units based upon each unit's pro rata share of the total billed water consumption.

13. Tax Abatements

The City enters into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Act (Industrial Facilities Exemption) (P.A. 198 of 1974 as amended). Under the Act, localities may grant property tax abatements of up to 50 percent of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any local business located within or promising to relocate to the City. The property taxes abated under this program were \$1,227.

City of Essexville

Notes to Financial Statements

June 30, 2022

14. Contingencies

Grants

The City receives financial assistance from other governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, any such disallowed claims will not have a material effect on any financial statements herein or on the overall position of the City.

Legal Matters

The city is subject to various legal proceedings arising in the course of providing public services to City residents. However, in the opinion of the City's attorney and management, the resolution of these matters will not have a material effect, if any, on the financial condition of the City.

15. Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following Statements for future implementation.

GASB Statement No. 91, *Conduit Debt Obligations*, clarifies the existing definition of a conduit debt obligation and establishes that a conduit debt obligation is not a liability of the issuer. Additionally, this Statement establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations along with improving the required note disclosures for conduit debt obligations. The requirements of this statement are effective for reporting periods beginning after December 15, 2021, which will be the City's June 30, 2023 year-end.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will supersede the current guidance for service concession arrangements and will interact with GASB Statement 87, *Leases*. The standard is intended to better address accounting and financial reporting for concession service arrangements and to cover arrangements not within the scope of current guidance. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, which will apply for the City's June 30, 2023 year-end.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, addresses the accounting for arrangements such as those that convey control of the right to use a vendor's IT assets, and commonly include provisions such as remote access to software applications or cloud data storage for a period of time in an exchange or exchange-like transaction.

City of Essexville

Notes to Financial Statements

June 30, 2022

15. Future Accounting Pronouncements (continued)

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, which will be the City's June 30, 2023 year-end.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, will enhance accounting and financial reporting requirements for accounting changes and error corrections by providing more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The standard is effective for fiscal years beginning after June 15, 2023, which will be the City's June 30, 2024 year-end.

GASB Statement No. 101, *Compensated Absences*, updates current guidance for recognizing and measuring compensated absences. It requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid. Liabilities for certain types of compensated absences—including parental leave, military leave, and jury duty leave—will not be recognized until the leave commences. Generally, the liability will be measured using an employee's pay rate as of the date of the financial statements. This standard is effective for fiscal years beginning after December 15, 2023 which will be the City's June 30, 2025 year-end.

City of Essexville

Required Supplementary Information
 Defined Benefit Pension Plan (MERS)
 Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service Cost	\$ 65,671	\$ 73,734	\$ 84,696	\$ 83,494	\$ 96,843	\$ 100,579	\$ 106,019
Interest	533,990	528,152	530,420	523,168	528,830	549,818	530,323
Changes of benefit terms	-	-	-	-	(1,227)	-	-
Difference between expected and actual experience	(179,317)	(122,355)	45,043	26,792	(164,262)	-	-
Changes of assumptions	249,069	140,867	217,108	-	-	-	-
Benefit payments including employee refunds	(528,606)	(550,484)	(554,864)	(531,935)	(516,624)	(529,323)	(509,508)
Other	(1)	-	-	-	(1)	(387,910)	331,416
Net change in total pension liability	140,806	69,914	322,403	101,519	(56,441)	(266,836)	458,250
Total pension liability, beginning	7,257,657	7,187,743	6,865,340	6,763,821	6,820,262	7,087,098	6,628,848
Total pension liability, ending	\$ 7,398,463	\$ 7,257,657	\$ 7,187,743	\$ 6,865,340	\$ 6,763,821	\$ 6,820,262	\$ 7,087,098
Plan fiduciary net position							
Contributions-employer	\$ 293,454	\$ 283,602	\$ 263,808	\$ 235,123	\$ 244,309	\$ 260,893	\$ 251,433
Contributions-employee	28,168	31,513	34,698	36,658	43,219	44,097	44,236
Net investment income	701,214	577,394	583,419	(181,591)	583,405	474,009	(65,927)
Benefit payments including employee refunds	(528,606)	(550,484)	(554,864)	(531,935)	(516,624)	(529,323)	(509,508)
Administrative expense and other changes	(8,045)	(9,308)	(10,041)	(9,201)	(9,255)	(9,366)	(9,770)
Other Changes	-	(1)	-	-	-	-	-
Net change in plan fiduciary net position	486,185	332,716	317,020	(450,946)	345,054	240,310	(289,536)
Plan fiduciary net position, beginning	5,043,555	4,710,839	4,393,819	4,844,765	4,499,711	4,259,401	4,548,937
Plan fiduciary net position, ending	\$ 5,529,740	\$ 5,043,555	\$ 4,710,839	\$ 4,393,819	\$ 4,844,765	\$ 4,499,711	\$ 4,259,401
Employer net pension liability	\$ 1,868,723	\$ 2,214,102	\$ 2,476,904	\$ 2,471,521	\$ 1,919,056	\$ 2,320,551	\$ 2,827,697
Plan fiduciary net position as a percentage of the total pension liability	74.7%	69.5%	65.5%	64.0%	71.6%	66.0%	60.1%
Covered employee payroll	\$ 523,046	\$ 602,284	\$ 677,977	\$ 698,744	\$ 865,467	\$ 877,950	\$ 938,908
Employer's net pension liability as a percentage of covered employee payroll	357.3%	367.6%	365.3%	353.7%	221.7%	264.3%	301.2%

Notes to schedule:

Benefit changes: There were no changes in benefits during the periods presented.

Changes in assumptions:

Changes in actuarial assumptions or methods for the 2021 actuarial valuation include implementation of a new dedicated gains policy. This policy automatically adjusts the rate of investment return by using excess asset gains to mitigate large increases in required contributions to the Plan. This policy's goals are to provide a systematic approach the assumed rate of investment return between experience studies, and use excess gains to minimize the first-year impact in employer contributions.

The information above is based on the December 31 valuation date.

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. The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

City of Essexville

Required Supplementary Information
 Defined Benefit Pension Plan (MERS)
 Schedule of Employer's Contributions

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarial determined contributions	\$ 293,454	\$ 283,602	\$ 263,808	\$ 235,123	\$ 244,309	\$ 260,893	\$ 251,433	\$ 206,566
Contributions in relation to the actuarially determined contribution	293,454	283,602	263,808	235,123	244,309	260,893	251,433	206,566
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 523,046	\$ 602,284	\$ 677,977	\$ 698,744	\$ 865,467	\$ 877,950	\$ 938,908	\$ 827,744
Contributions as a percentage of covered employee payroll	56%	47%	39%	34%	28%	30%	27%	25%
Notes to Schedule								
Actuarial cost method	Entry Age							
Amortization method	Level percentage of payroll, open							
Remaining amortization period	17 years							
Asset valuation method	10 year smoothed							
Inflation	2.5%							
Salary Increases	3.00%							
Investment rate of return	7.00%							
Retirement age	60							
Mortality	50% Female/50% Male RP-2014 Group							
	Annuity Mortality Table							

Above dates are based on the actuarial measurement date.

City of Essexville

Schedule of Changes in Net OPEB Liability and Related Ratios
 Last Ten Fiscal Years (schedule is built prospectively upon implementation of GASB 75)

Year Ended June 30, 2021

	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	\$ 35,589	\$ 29,322	\$ 26,545	\$ 57,876	\$ 62,451
Interest	63,607	117,866	124,419	149,364	123,147
Changes in benefits	-	-	-	-	-
Difference between expected and actual experience	6,145	(690,436)	17,217	(273,579)	(47,646)
Changes in assumptions	(141,455)	363,577	183,558	(51,998)	-
Benefit payments including refunds	(147,409)	(145,503)	(168,692)	(163,977)	(137,952)
Net change in total OPEB liability	(183,523)	(325,174)	183,047	(282,314)	-
Total OPEB liability at beginning of year	3,333,775	3,658,949	3,475,902	3,758,216	3,758,216
Total OPEB liability at end of year (a)	<u>3,150,252</u>	<u>3,333,775</u>	<u>3,658,949</u>	<u>3,475,902</u>	<u>3,758,216</u>
Plan fiduciary net position					
Contributions to OPEB trust	-	-	-	-	-
Contributions/benefit payments made from general operating funds	147,409	145,503	168,692	163,977	137,952
Net investment income	-	-	-	-	-
Benefit payments including refunds	(147,409)	(145,503)	(168,692)	(163,977)	(137,952)
Administrative expense	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position at beginning of year	-	-	-	-	-
Plan fiduciary net position at end of year (b)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's net OPEB liability at end of year (a)-(b)	<u>\$ 3,150,252</u>	<u>\$ 3,333,775</u>	<u>\$ 3,658,949</u>	<u>\$ 3,475,902</u>	<u>\$ 3,758,216</u>
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	\$ 125,713	\$ 126,978	\$ 112,604	\$ 113,072	Not Avail.
Employer's net OPEB liability as a percentage of covered employee payroll	2,505.9%	2,625.5%	3,249.4%	3,074.1%	Not Avail.

City of Essexville

Schedule of Changes in Net Schedule of OPEB Contributions
Last Ten Fiscal Years (schedule is built prospectively upon implementation of GASB 75)

Year Ended June 30, 2021

	2022	2021	2020	2019
Actuarially determined employer contribution	\$ 443,352	\$ 471,212	\$ 461,952	\$ 427,707
Actual contribution	147,409	145,503	168,692	163,977
Contribution deficiency (excess)	\$ 295,943	\$ 325,709	\$ 293,260	\$ 263,730
Covered employee payroll	\$ 125,713	\$ 126,978	\$ 112,604	\$ 113,072
Contributions as a percentage of covered employee payroll	117.26%	114.59%	149.81%	145.02%

Notes to schedule

Actuarial valuation information relative to the determination of contributions:

Valuation date

12/31/2021 12/31/2020 12/31/2019 12/31/2018

Actuarial determined contribution

\$ 443,352 \$ 471,212 \$ 461,952 \$ 427,707

Methods and assumptions used to determine contribution rates:

Actuarial cost method

Entry age normal

Amortization method

Level dollar

Remaining amortization period

9 years

Asset valuation method

Market Value

Actuarial assumptions:

Inflation

N/A

Salary increases

3.0% (for purposes of allocating liability)

Investment rate of return

N/A as this plan is not pre-funded

Retirement age

Experience-based tables of rates that are specific to the type of eligibility condition

Mortality

Public Safety - Public Safety 2010 employee and healthy retiree, headcount weighted, spouses and general employees

Healthcare trend rate

Pre-65: 7.25% graded down .25% per year to an ultimate rate of 4.5%

Post-65: 5.50% i graded down .25% per year to an ultimate rate of 4.5%

Assumption changes since prior valuation:

Discount rate changed from 1.93% to 2.25%

City of Essexville

Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes and related fees	\$ 1,110,343	\$ 1,110,343	\$ 1,103,776	\$ (6,567)
Licenses and permits	78,200	78,200	82,226	4,026
State revenue	405,765	405,765	455,481	49,716
Charges for services	150	150	156	6
Fines and forfeitures	30,000	30,000	6,254	(23,746)
Interest earnings and rents and royalties	41,200	41,200	(4,126)	(45,326)
Other revenue	61,000	61,000	60,910	(90)
Total revenues	1,726,658	1,726,658	1,704,677	(21,981)
Expenditures				
General government:				
Legislative - City Council	20,926	20,926	19,042	1,884
Administration	67,011	65,011	65,783	(772)
Elections	8,600	8,600	6,346	2,254
Assessor	21,200	21,200	17,213	3,987
City attorney	16,000	16,000	13,293	2,707
Board of review	1,169	1,169	856	313
Clerk	64,154	76,154	76,850	(696)
Treasurer	32,154	36,654	31,415	5,239
Accounting and auditing	12,000	12,000	20,925	(8,925)
Forestry	16,825	16,825	21,024	(4,199)
City hall	58,083	58,083	53,474	4,609
Public safety:				
Fire department	71,524	67,304	71,175	(3,871)
Police department	610,000	615,885	506,940	108,945
Inspections	28,515	28,515	32,697	(4,182)
Public works:				
Sidewalks	500	500	-	500
Street lighting	50,000	50,000	49,558	442
Department of public works	44,006	44,006	16,917	27,089
Parks and recreation	59,000	63,380	44,260	19,120
Community development:				
Planning	600	600	-	600
Zoning	37,250	37,250	10,406	26,844

City of Essexville

Budgetary Comparison Schedule - General Fund (continued)

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures (continued)				
Other functions:				
Fringe benefits	\$ 199,941	\$ 199,941	\$ 230,185	\$ (30,244)
Pension	223,930	223,930	200,658	23,272
Capital outlay:				
General government	13,000	13,000	11,677	1,323
Public safety	12,712	12,712	7,179	5,533
Public works	36,000	36,000	5,000	31,000
Debt service:				
Principal	84,531	84,531	84,531	-
Interest and fiscal charges	4,582	4,582	4,582	-
Total expenditures	<u>1,794,213</u>	<u>1,814,758</u>	<u>1,601,986</u>	<u>212,772</u>
Excess (deficiency) of revenues over expenditures	(67,555)	(88,100)	102,691	190,791
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	8,750	8,750
Transfers out	(18,286)	(93,286)	-	93,286
Total other financing sources (uses)	<u>(18,286)</u>	<u>(93,286)</u>	<u>8,750</u>	<u>102,036</u>
Net change in fund balances	(85,841)	(181,386)	111,441	292,827
Fund balances-beginning	613,235	613,235	613,235	-
Fund balances-ending	<u>\$ 527,394</u>	<u>\$ 431,849</u>	<u>\$ 724,676</u>	<u>\$ 292,827</u>

City of Essexville

Budgetary Comparison Schedule - Major Streets Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
State revenue	\$ 319,628	\$ 319,628	\$ 328,949	\$ 9,321
Total revenues	319,628	319,628	328,949	9,321
Expenditures				
Public works:				
Wages	42,300	42,300	28,082	14,218
Payroll taxes	3,277	3,277	2,062	1,215
Fringe benefits	31,604	31,604	25,075	6,529
Retirement	8,200	8,200	10,647	(2,447)
Operating supplies	29,600	29,600	14,794	14,806
Professional and contractual services	19,100	19,100	19,878	(778)
Equipment rental	51,500	51,500	26,800	24,700
Miscellaneous	2,400	2,400	1,500	900
Capital outlay	31,000	61,000	61,000	-
Total expenditures	218,981	248,981	189,838	59,143
Excess (deficiency) of revenues over expenditures	100,647	70,647	139,111	68,464
Other financing sources (uses)				
Transfers out	(36,200)	(36,200)	-	36,200
Total other financing sources (uses)	(36,200)	(36,200)	-	36,200
Net change in fund balance	64,447	34,447	139,111	104,664
Fund balance-beginning	499,205	499,205	499,205	-
Fund balance-ending	\$ 563,652	\$ 533,652	\$ 638,316	\$ 104,664

City of Essexville

Budgetary Comparison Schedule - Local Streets Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
State revenue	\$ 115,952	\$ 115,952	\$ 118,902	\$ 2,950
Total revenues	115,952	115,952	118,902	2,950
Expenditures				
Public works:				
Wages	27,722	27,722	20,502	7,220
Payroll taxes	2,135	2,135	1,503	632
Fringe benefits	30,881	30,881	24,223	6,658
Retirement	9,100	9,100	10,408	(1,308)
Operating supplies	15,250	15,250	6,374	8,876
Professional and contractual services	5,900	5,900	2,449	3,451
Equipment rental	41,000	41,000	23,898	17,102
Miscellaneous	1,000	1,000	500	500
Capital outlay	3,000	3,000	4,859	(1,859)
Total expenditures	135,988	135,988	94,716	41,272
Excess (deficiency) of revenues over expenditures	(20,036)	(20,036)	24,186	44,222
Other financing sources (uses)				
Transfers in	35,000	35,000	-	(35,000)
Transfers out	(1,114)	(1,114)	-	1,114
Total other financing sources (uses)	33,886	33,886	-	(33,886)
Net change in fund balance	13,850	13,850	24,186	10,336
Fund balance-beginning	91,957	91,957	91,957	-
Fund balance-ending	\$ 105,807	\$ 105,807	\$ 116,143	\$ 10,336

City of Essexville

Budgetary Comparison Schedule - Debt Service Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes and related fees	\$ -	\$ -	\$ -	\$ -
Special assessments, net	-	-	-	-
Interest earnings	-	-	-	-
Other revenue	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
General government:				
Miscellaneous	-	-	-	-
Capital Outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance-beginning	-	-	-	-
Fund balance-ending	\$ -	\$ -	\$ -	\$ -

City of Essexville

Budgetary Comparison Schedule - DDA

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes and related fees	\$ -	\$ -	\$ 39,487	\$ 39,487
State revenue	-	-	26,714	26,714
Interest earnings	-	-	(8,241)	(8,241)
Total revenues	-	-	57,960	57,960
Expenditures				
Public works:				
Wages	7,400	7,400	4,709	2,691
Payroll taxes	566	566	358	208
Retirement	10,000	10,000	12,317	(2,317)
Insurance	300	300	299	1
Professional and contractual services	3,000	3,000	2,955	45
Miscellaneous	-	-	2,616	(2,616)
Total expenditures	21,266	21,266	23,254	(1,988)
Excess (deficiency) of revenues over expenditures	(21,266)	(21,266)	34,706	55,972
Net change in fund balances	(21,266)	(21,266)	34,706	55,972
Fund balances-beginning	183,414	183,414	183,414	-
Fund balances-ending	\$ 162,148	\$ 162,148	\$ 218,120	\$ 55,972

City of Essexville

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2022

	<u>Special Revenue</u>
	<u>Justice</u>
	<u>Training</u>
	<u>Fund</u>
Assets	
Cash and cash equivalents	\$ 9,759
Total assets	<u>9,759</u>
 Fund balances:	
Restricted - justice training	<u>9,759</u>
Total fund balances	<u>9,759</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,759</u>

City of Essexville

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

Year Ended June 30, 2022

	<u>Special Revenue</u>
	<u>Justice</u>
	<u>Training</u>
	<u>Fund</u>
Revenues	
State grants	\$ 952
Total revenues	<u>952</u>
Expenditures	
Public safety	<u>2,410</u>
Total expenditures	<u>2,410</u>
Excess (deficiency) of revenues over expenditures	(1,458)
Net change in fund balances	<u>(1,458)</u>
Fund balances-beginning	<u>11,217</u>
Fund balances-ending	<u><u>\$ 9,759</u></u>

Independent Auditors' 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*

To the City Council
City of Essexville

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, each major fund, and the aggregate remaining fund information of the City of Essexville (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 February 14, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.

DRAFT

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

DRAFT

Midland, Michigan
February 14, 2023