

**City of Gladwin, Michigan**

**Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2022**

**Prepared by: City's Department of Treasury**



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Annual Comprehensive Financial Report  
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**1000 West Cedar Avenue  
Gladwin, Michigan 48624  
Telephone: (989) 426-9231  
Fax: (989) 426-6942**

November 28, 2022

To the Citizens of the City of Gladwin,  
and Members of the City Council

Michigan State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Gladwin for the fiscal year ended June 30, 2022.

This report consists of management's representations concerning the finances of the City of Gladwin. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Gladwin has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Gladwin's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Gladwin's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Gladwin's financial statements have been audited by Anderson, Tackman & Company, PLC CPAs, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Gladwin for the fiscal year ended June 30, 2022 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Gladwin's financial statements for the fiscal year ended June 30, 2022, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Gladwin's MD&A can be found immediately following the report of the independent auditors.

This Institution is an equal opportunity provider, and employer.

To the Citizens of the City of Gladwin,  
and Members of the City Council

## **Profile of the Government**

The City of Gladwin, incorporated in 1893, is located in the central part of Michigan's Lower Peninsula. The City of Gladwin is the county seat and largest of only two cities within Gladwin County and has a population of approximately 3,097. Gladwin serves as the primary commercial center, health care services provider and government center for the County's 26,000 permanent residents. Recreation and tourism play a large part in the City's overall economy. The summer population of the County is estimated to be in excess of 50,000 as southern Michigan metropolitan area residents flock to their summer cottages along the waterways of the County. This summer population carries well into the fall as hunters take to the County's expansive wooded areas, which are primarily State-owned lands. The City of Gladwin currently occupies a land area of 3.75 square miles. The City is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City of Gladwin operates under a "council-manager" form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and eight other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's administrator, auditor and attorney. The government's administrator is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis on odd numbered years. Council members serve four-year staggered terms, with four council members elected every two years. The mayor is elected on non-partisan basis every two years.

The City of Gladwin provides a full range of services, including police protection; the construction and maintenance of highways, streets and other infrastructure; recreational activities and cultural events; sanitation, water and sewer services. The City of Gladwin is also financially accountable for a legally separate airport which is reported separately within the City's financial statements. Additional information on this and other legally separate entities can be found in the notes to the financial statements. The council adopts an annual budget. The annual budget serves as a foundation for the City of Gladwin's financial planning and control. Additional discussion of the budget process and legal control levels can be found in the notes to the financial statements. Budget comparisons for the general fund can be found in the Fund Financial Statements section. Budgetary comparisons for all other governmental funds can be found in the Nonmajor Budgetary Comparison Schedules section of the report.

## **Economic Conditions, Outlook and Major Initiatives**

The outlook for the City of Gladwin is stable. The City is an MEDC certified Redevelopment Ready Community (RRC). This initiative positions the community to be vibrant and competitive and ready for development. Redevelopment Ready Communities attract and retain businesses, offer superior customer service and have a streamlined development approval process making pertinent information available around-the-clock for anyone to view.

## **Long-Term Financial Planning**

It is the long-term financial goal of the City of Gladwin to maintain a minimum General Fund balance of at least \$400,000. Expenses for wages, supplies, equipment, and benefits for the employees are challenging. The City of Gladwin's long-term financial success will depend on good management and cooperation.

We will continue to proactively seek out ways to deliver quality services and commodities at an affordable price. It is also our goal not to reduce service levels and to keep the City of Gladwin financially healthy in the long run.

To the Citizens of the City of Gladwin,  
and Members of the City Council

### **Pension Plan**

All full-time City employees are covered by pension plans. A complete review of all pension plans is presented in the notes to the financial statements.

### **Awards**

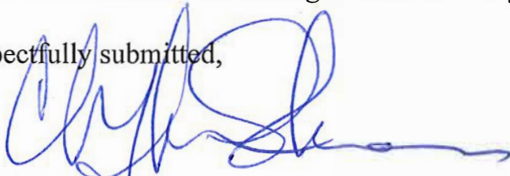
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gladwin for its annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the twenty-eighth consecutive year that the City of Gladwin has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

The preparation of the report would not have been possible without the efficient and dedicated services of the City Treasurer, Angela Bigham, and staff. We would also like to express appreciation to the staff of Anderson Tackman & Company, PLC CPAs for their contributions to the excellence of this report. Credit also must be given to the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Gladwin's finances.

Respectfully submitted,



Christopher Shannon  
City Administrator



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Gladwin  
Michigan**

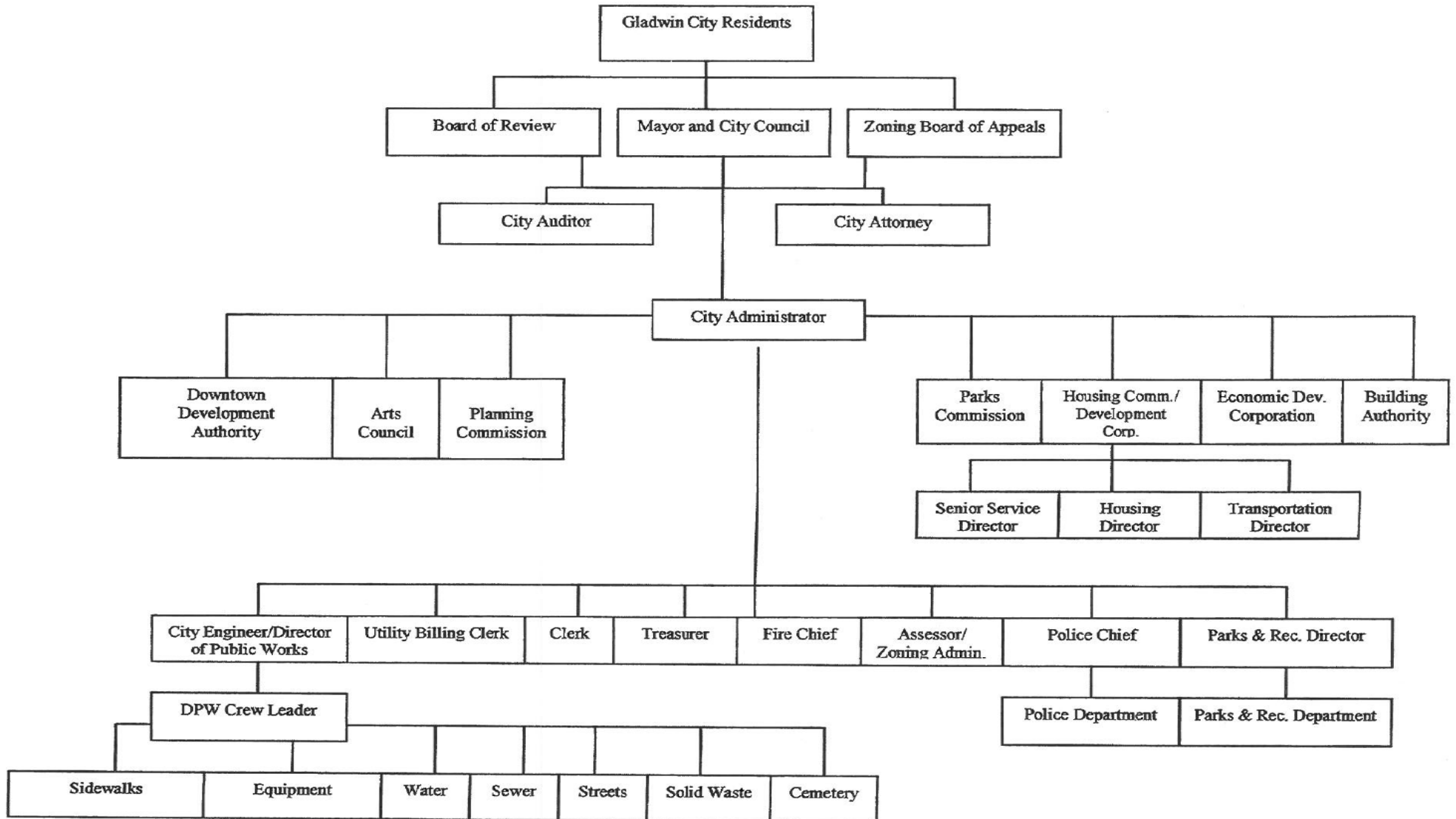
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morrell*

Executive Director/CEO

## City of Gladwin Organizational Chart



**CITY OF GLADWIN**

**OFFICIALS**

**As of June 30, 2022**

Darlene Jungman  
Mayor

**Council**

Nancy Bodnar  
John Caffrey  
David Crawford  
Carol Darlington

Roger Gardner  
Sarah Kile  
Michael Smith  
Linda Winarski

**Administration**

Christopher Shannon  
City Administrator

Angela Bigham  
Treasurer

Jaynie Smith Hoerauf  
Attorney

Eric Killian  
Police Chief

Bernadette Weaver  
Assessor

Marietta Andrist  
Clerk

Brian Jungman  
Parks & Recreation Director

George Alward  
Fire Chief

Lori Stout  
Housing Director



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

KENNETH A. TALSMAN, CPA, PRINCIPAL  
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA  
LESLIE A. BOHN, CPA  
TORI N. KRUISE, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Gladwin  
Gladwin, MI 48624

**Report on the Audit of the Financial Statements**

***Opinions***

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

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

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Gladwin, Michigan 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Gladwin, Michigan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgement 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 procedure that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Gladwin, Michigan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Gladwin, Michigan's ability to continue as a going concern for a reasonable time period.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and defined benefit pension plan (MERS) on pages 4 through 11 and pages 53 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the City Council  
City of Gladwin

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gladwin, Michigan's basic financial statements. The accompanying combining and individual nonmajor fund financial statement, 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 were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 taken as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appear to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2022 on our consideration of the City of Gladwin, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Gladwin, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the City of Gladwin, Michigan's internal control over financial reporting and compliance.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**  
**Kincheloe, Michigan**

November 28, 2022

## **Management's Discussion and Analysis**

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As management of the City of Gladwin, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Gladwin for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in this report. All amounts, unless otherwise indicated, are presented in whole.

### **Financial Highlights**

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$12,543,607 (net position). Of this amount, \$3,068,955 (unrestricted net position) may be used to meet the government's ongoing obligations to the citizens and creditors.

The City's total net position decreased by \$303,945. The decrease was due to losses associated with disposal of assets in the current year.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,050,594 an increase of \$547,893 in comparison with the prior year. This is primarily due to fiscal responsibility and less capital improvements made in the current year. Approximately \$1,423,390 of this total amount is available for spending at the government's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,423,390 or approximately 75 percent of total general fund expenditures.

During the current fiscal year, total long-term debt of the City, other than the net pension liability, had a net decrease of \$152,136. The City's debt decreased due to the payments of regularly scheduled debt service requirements.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction of the City's basic financial statements. The City's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all the City's assets, deferred outflows, liabilities and deferred inflows, with a 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 government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the 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 legislative, general government, public safety, public works, recreation & culture, and debt service. The business-type activities of the City include the Farmer's Market and the Water and Sewer operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also the legally separate Downtown Development Authority, Economic Development Corporation and the Gladwin Airport for which the City is financially accountable. Financial information presented for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found in this report.

**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 the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, major streets fund, and local streets fund, which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements beginning on page 55 of this report.

The City adopts an annual appropriated budget for its general fund and all special revenue fund types. Budgetary comparison statements and schedules have been provided in the basic financial statements for the major funds and in the supplemental section of the report for nonmajor funds to demonstrate the extent of compliance with these budgets.

The basic governmental fund financial statements can be found in this report.

***Proprietary funds.*** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Farmer's Market, Sewer and Water operation. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its fleet of vehicles. Because the services of the fund predominantly benefit governmental rather than business-type functions, they have been included within 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 and Water operations, which are considered to be major funds of the City and the Farmers Market, which is a nonmajor fund of the City. Also, the internal service fund is presented in the proprietary fund financial statements. The basic proprietary fund financial statements can be found beginning on page 21 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. Currently the City has one fund that is a custodial type fund. The basic fiduciary fund financial statements can be found beginning on page 24 in this report.

**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. The notes to the financial statements can be found beginning on page 28 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information in connection with nonmajor governmental funds. Combining and individual fund statements and schedules can be found in this report. Statistical data and compliance data are also included as described in the table of contents.

**Government-wide Financial Analysis**

The following summaries provide a perspective of the financial information of the City as a whole:

| <b>City of Gladwin's Net Position</b> |                                |                     |                                 |                     |                      |                      |
|---------------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|----------------------|----------------------|
|                                       | <b>Governmental Activities</b> |                     | <b>Business-Type Activities</b> |                     | <b>Total</b>         |                      |
|                                       | <b>2022</b>                    | <b>2021</b>         | <b>2022</b>                     | <b>2021</b>         | <b>2022</b>          | <b>2021</b>          |
| Current and other assets              | \$ 4,762,770                   | \$ 3,614,063        | \$ 1,740,002                    | \$ 1,633,136        | \$ 6,502,772         | \$ 5,247,199         |
| Capital assets                        | 3,348,364                      | 4,207,800           | 5,544,775                       | 5,782,155           | 8,893,139            | 9,989,955            |
| Total assets                          | <u>8,111,134</u>               | <u>7,821,863</u>    | <u>7,284,777</u>                | <u>7,415,291</u>    | <u>15,395,911</u>    | <u>15,237,154</u>    |
| Deferred outflows<br>of resources     | <u>311,606</u>                 | <u>227,607</u>      | <u>-</u>                        | <u>-</u>            | <u>311,606</u>       | <u>227,607</u>       |
| Long-term liabilities<br>outstanding  | 788,341                        | 851,083             | 1,341,915                       | 1,418,995           | 2,130,256            | 2,270,078            |
| Other liabilities                     | 722,380                        | 150,361             | 119,102                         | 82,811              | 841,482              | 233,172              |
| Total liabilities                     | <u>1,510,721</u>               | <u>1,001,444</u>    | <u>1,461,017</u>                | <u>1,501,806</u>    | <u>2,971,738</u>     | <u>2,503,250</u>     |
| Deferred inflows<br>of resources      | <u>192,172</u>                 | <u>113,959</u>      | <u>-</u>                        | <u>-</u>            | <u>192,172</u>       | <u>113,959</u>       |
| Net position:                         |                                |                     |                                 |                     |                      |                      |
| Net investment in<br>capital assets   | 2,974,364                      | 3,735,800           | 4,145,784                       | 4,319,164           | 7,120,148            | 8,054,964            |
| Restricted                            | 2,346,504                      | 1,833,261           | 8,000                           | 8,000               | 2,354,504            | 1,841,261            |
| Unrestricted                          | 1,398,979                      | 1,365,006           | 1,669,976                       | 1,586,321           | 3,068,955            | 2,951,327            |
| Total net position                    | <u>\$ 6,719,847</u>            | <u>\$ 6,934,067</u> | <u>\$ 5,823,760</u>             | <u>\$ 5,913,485</u> | <u>\$ 12,543,607</u> | <u>\$ 12,847,552</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Gladwin, assets and deferred outflows exceeded liabilities and deferred inflows by \$12,543,607 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position \$7,120,148 (57 percent) reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed 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 total net position \$2,354,504 (19 percent) represents resources that are subject to external restriction on how they may be used and the remaining balance of unrestricted net position \$3,068,955 (24 percent) may be used to meet the government's ongoing obligations to citizens and creditors. The increase in restricted net position shown in the table above is primarily the result of increases in funds set aside for street maintenance and construction. The increase in unrestricted fund balance is the result of decreases in debt service requirements and an inflow of funds for new and upcoming projects.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole.

The government's net position decreased by \$303,945 during the current fiscal year.

| City of Gladwin's Changes in Net Position |                         |                     |                          |                     |                      |                      |
|---|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
|   | Governmental Activities |                     | Business-Type Activities |                     | Total                |                      |
|   | 2022                    | 2021                | 2022                     | 2021                | 2022                 | 2021                 |
| Revenues:                                 |                         |                     |                          |                     |                      |                      |
| Program revenues:                         |                         |                     |                          |                     |                      |                      |
| Charges for services                      | \$ 439,160              | \$ 539,210          | \$ 1,259,697             | \$ 1,250,252        | \$ 1,698,857         | \$ 1,789,462         |
| Operating grants and contributions        | 641,259                 | 775,690             | -                        | -                   | 641,259              | 775,690              |
| Capital grants and contributions          | 24,122                  | 60,253              | -                        | 64,343              | 24,122               | 124,596              |
| General revenues:                         |                         |                     |                          |                     |                      |                      |
| Property taxes                            | 1,160,475               | 1,257,971           | -                        | -                   | 1,160,475            | 1,257,971            |
| State Revenue Sharing                     | 411,834                 | 367,265             | -                        | -                   | 411,834              | 367,265              |
| Other                                     | (415,802)               | 4,132               | 43,129                   | 110,639             | (372,673)            | 114,771              |
| Total revenues                            | <u>2,261,048</u>        | <u>3,004,521</u>    | <u>1,302,826</u>         | <u>1,425,234</u>    | <u>3,563,874</u>     | <u>4,429,755</u>     |
| Expenses:                                 |                         |                     |                          |                     |                      |                      |
| General Government                        | 667,227                 | 598,207             | -                        | -                   | 667,227              | 598,207              |
| Public Safety                             | 779,933                 | 681,293             | -                        | -                   | 779,933              | 681,293              |
| Public Works                              | 1,016,239               | 1,022,816           | -                        | -                   | 1,016,239            | 1,022,816            |
| Recreation and Culture                    | 258,054                 | 239,689             | -                        | -                   | 258,054              | 239,689              |
| Interest and fees on long-term debt       | 18,735                  | 23,959              | -                        | -                   | 18,735               | 23,959               |
| Other Expenses                            | -                       | -                   | -                        | -                   | -                    | -                    |
| Farmers Market                            | -                       | -                   | 13,604                   | 10,558              | 13,604               | 10,558               |
| Sewer                                     | -                       | -                   | 604,383                  | 520,631             | 604,383              | 520,631              |
| Water                                     | -                       | -                   | 509,644                  | 398,245             | 509,644              | 398,245              |
| Total expenses                            | <u>2,740,188</u>        | <u>2,565,964</u>    | <u>1,127,631</u>         | <u>929,434</u>      | <u>3,867,819</u>     | <u>3,495,398</u>     |
| Change in net position before transfers   | (479,140)               | 438,557             | 175,195                  | 495,800             | (303,945)            | 934,357              |
| Transfers                                 | <u>264,920</u>          | <u>100,797</u>      | <u>(264,920)</u>         | <u>(100,797)</u>    | <u>-</u>             | <u>-</u>             |
| Change in net position                    | (214,220)               | 539,354             | (89,725)                 | 395,003             | (303,945)            | 934,357              |
| Net Position - Beginning                  | <u>6,934,067</u>        | <u>6,394,713</u>    | <u>5,913,485</u>         | <u>5,518,482</u>    | <u>12,847,552</u>    | <u>11,913,195</u>    |
| Net Position - Ending                     | <u>\$ 6,719,847</u>     | <u>\$ 6,934,067</u> | <u>\$ 5,823,760</u>      | <u>\$ 5,913,485</u> | <u>\$ 12,543,607</u> | <u>\$ 12,847,552</u> |

**Governmental activities.** Governmental activities reduced the City's net position by \$214,220. In the current year, the City disposed of several capital assets that were not fully depreciated at the time of disposal causing a significant loss in the current year.

**Business-type activities.** Business-type activities decreased the City's net position by \$89,725. Major drivers of this decrease include loss of grants and contributions from the prior year, which were received for improvements to the farmer's market and completion of the iron removal plant. Additionally, new water meters increased costs incurred in the water fund and professional services related to research of potential options for the wastewater treatment plant.

**Financial Analysis of the Government's Funds**

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

**Governmental funds.** The City's governmental funds help 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 spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,050,594, an increase of \$547,893 in comparison with the prior year. Approximately 36 percent of this total amount, \$1,423,390, constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 60 percent of the fund balance \$2,400,470 falls into three categories: Committed, which includes City Hall improvements of \$41,635 and reserves for unfunded liabilities of \$10,000 that have been limited by the City Council. Restricted, which includes monies to pay debt service of \$97,725, street maintenance and construction of \$1,909,505, drug law enforcement of \$135,653, iron removal plant capital project of \$65,296, public safety purchases of \$130,815 and liquor law enforcement of \$7,510 that are limited by law and regulations of others. Assigned, which includes park improvements of \$500 and skate park improvements of \$1,831 with intent expressed by the City through the budgetary process. The remaining balance consists of the nonspendable category which is reserved to indicate that it is not available for new spending because it has already been spent for the ensuing fiscal year \$3,254, and to generate income to pay for the perpetual care of the municipal cemetery \$223,480.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,423,390, while total fund balance reached \$1,480,610. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 75 percent of total general fund expenditures, while total fund balance represents 78 percent of that same amount.

The fund balance of the City's general fund increased \$22,997 during the current fiscal year. The most significant change is attributable lack of capital outlay expenditures in the current year due to decreased grant funding and overall budget restraints. The major streets fund had a \$50,702 increase in fund balance. Although there were significant street improvements in the current year, such costs were funded by current year ACT 51 funding. The local streets fund had a \$433,923 increase due to less street maintenance and construction in the form of capital outlay.

Overall, other governmental funds experienced increases in fund balance due to the payoff of debt, freeing up the annual debt service requirement funds and limited capital outlay expenditures.

**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 Sewer, and Water funds and Farmers Market Fund at the end of the year amounted to \$1,023,066, \$664,548, and \$3,599, respectively. The Sewer, Water and Farmers Market funds experienced increases and decreases in net position of \$(72,048), \$8,564 and \$(26,241) respectively. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights

The City may amend its budget as new financial information or assumptions emerge during the year. The 2021/2022 budget was amended to reflect an increase in anticipated transfers and other factors. The overall effect between the original budget and the final amended budget was minimal.

### Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2022 was \$8,893,139 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 11 percent (a 21 percent decrease for governmental activities and a 5 percent decrease for business-type activities). The iron removal plant included in construction in process was completed in the current year. No other major projects were started in the current year.

The City's capital assets are shown in the following table.

| City of Gladwin's Capital Assets |                         |                     |                          |                     |                     |                     |
|----------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| (net of depreciation)            |                         |                     |                          |                     |                     |                     |
|                                  | Governmental Activities |                     | Business-Type Activities |                     | Total               |                     |
|                                  | 2022                    | 2021                | 2022                     | 2021                | 2022                | 2021                |
| Land                             | \$ 401,583              | \$ 404,101          | \$ 48,184                | \$ 48,184           | \$ 449,767          | \$ 452,285          |
| Construction in Process          | 9,541                   | 21,540              | -                        | -                   | 9,541               | 21,540              |
| Land improvements                | 428,023                 | 505,711             | 22,752                   | 24,174              | 450,775             | 529,885             |
| Buildings                        | 177,848                 | 189,897             | 5,299,172                | 5,524,185           | 5,477,020           | 5,714,082           |
| Building improvements            | 21,720                  | 68,494              | -                        | -                   | 21,720              | 68,494              |
| Equipment and vehicles           | 283,424                 | 341,524             | 174,667                  | 185,612             | 458,091             | 527,136             |
| Infrastructure                   | 2,026,225               | 2,676,533           | -                        | -                   | 2,026,225           | 2,676,533           |
| Total                            | <u>\$ 3,348,364</u>     | <u>\$ 4,207,800</u> | <u>\$ 5,544,775</u>      | <u>\$ 5,782,155</u> | <u>\$ 8,893,139</u> | <u>\$ 9,989,955</u> |

Additional information on the City's capital assets can be found in the Notes to Financial Statements on pages 38-41 in this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$1,875,295. Of this amount, \$374,000 comprises debt backed by the full faith and credit of the government and the remaining \$1,398,991 represents bonds secured solely by specified revenue sources.

| <b>City of Gladwin's Outstanding Debt</b> |                                |                   |                                 |                     |                     |                     |
|---|--------------------------------|-------------------|---------------------------------|---------------------|---------------------|---------------------|
| General Obligation and Revenue Bonds      |                                |                   |                                 |                     |                     |                     |
|   | <b>Governmental Activities</b> |                   | <b>Business-Type Activities</b> |                     | <b>Total</b>        |                     |
|   | 2022                           | 2021              | 2022                            | 2021                | 2022                | 2021                |
| General Obligation Bonds                  | \$ 360,000                     | \$ 456,000        | \$ -                            | \$ -                | \$ 360,000          | \$ 456,000          |
| Installment Loan                          | 14,000                         | 16,000            | -                               | -                   | 14,000              | 16,000              |
| Vested Employee Benefits                  | 88,663                         | 72,436            | 13,641                          | 20,004              | 102,304             | 92,440              |
| Revenue bonds                             | -                              | -                 | 1,398,991                       | 1,462,991           | 1,398,991           | 1,462,991           |
| <b>Total</b>                              | <b>\$ 462,663</b>              | <b>\$ 544,436</b> | <b>\$ 1,412,632</b>             | <b>\$ 1,482,995</b> | <b>\$ 1,875,295</b> | <b>\$ 2,027,431</b> |

The City's total debt, other than its net pension liability, decreased by \$152,136 primarily due to regularly scheduled debt payments.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed value of all real and personal property subject to taxation in the City. As of June 30, 2022, the City's direct and indirect debt of \$1,004,774 was below the legal limit of \$6,669,019.

Additional information on the City's long-term debt activity can be found in the Notes to Financial Statements on pages 42-44 in this report.

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

Next year's budget will again be limited to the maintenance of existing services with an eye to keeping increases in departmental budgets to a minimum. Economic pressures and declining property values have made tax revenues a little uncertain. The state of the economy has encouraged the council to keep a tight budget until we can be certain of availability of funds. We continue to seek out federal and state funding so that we can move forward with infrastructure improvements and continue to meet the needs of the community without having to significantly increase rates and charges to provide essential services.

In order to increase accountability and arm ourselves with the tools necessary to adequately project when changes are needed in funding levels, we are monitoring new budget and cost procedures to better analyze our revenues and costs.

#### **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 the City Treasurer's office.

## **Basic Financial Statements**

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Statement of Net Position  
June 30, 2022

|  | Primary Government      |                          |                      |                     |
|--|-------------------------|--------------------------|----------------------|---------------------|
|  | Governmental Activities | Business-type Activities | Totals               | Component Units     |
| <b>ASSETS:</b>                                   |                         |                          |                      |                     |
| <i>Current Assets</i>                            |                         |                          |                      |                     |
| Cash and Equivalents - Unrestricted              | \$ 4,111,668            | \$ 1,527,426             | \$ 5,639,094         | \$ 559,815          |
| Cash and Equivalents - Restricted                | -                       | 115,618                  | 115,618              | -                   |
| Investments                                      | 373,686                 | 2,966                    | 376,652              | -                   |
| Accounts Receivable                              | 23,151                  | 61,557                   | 84,708               | -                   |
| Due from Governmental Units                      | 144,873                 | -                        | 144,873              | -                   |
| Due from Others                                  | 106,138                 | -                        | 106,138              | -                   |
| Inventory and Prepaid Items                      | 3,254                   | 32,435                   | 35,689               | 45,742              |
| <i>Total Current Assets</i>                      | <u>4,762,770</u>        | <u>1,740,002</u>         | <u>6,502,772</u>     | <u>605,557</u>      |
| <i>Noncurrent Assets</i>                         |                         |                          |                      |                     |
| Right of Use Asset                               | -                       | -                        | -                    | 7,744               |
| Capital Assets (Not Depreciated)                 | 411,124                 | 48,184                   | 459,308              | 198,256             |
| Capital Assets (Net of Accumulated Depreciation) | 2,937,240               | 5,496,591                | 8,433,831            | 2,139,443           |
| <i>Total Noncurrent Assets</i>                   | <u>3,348,364</u>        | <u>5,544,775</u>         | <u>8,893,139</u>     | <u>2,345,443</u>    |
| <b>TOTAL ASSETS</b>                              | <u>8,111,134</u>        | <u>7,284,777</u>         | <u>15,395,911</u>    | <u>2,951,000</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>           |                         |                          |                      |                     |
| Pension Related Items                            | 311,606                 | -                        | 311,606              | -                   |
| <b>LIABILITIES:</b>                              |                         |                          |                      |                     |
| <i>Current Liabilities</i>                       |                         |                          |                      |                     |
| Accounts Payable                                 | 207,298                 | 28,749                   | 236,047              | 2,258               |
| Accrued Liabilities                              | 27,774                  | 6,225                    | 33,999               | 213                 |
| Accrued Interest                                 | 3,399                   | 13,411                   | 16,810               | -                   |
| Security Deposits                                | 57,714                  | -                        | 57,714               | 5,920               |
| Unearned Revenue                                 | 323,195                 | -                        | 323,195              | -                   |
| Current Portion of Bonds Payable                 | 101,000                 | 64,000                   | 165,000              | -                   |
| Current Portion of Notes Payable                 | 2,000                   | -                        | 2,000                | -                   |
| Current Portion of Lease Payable                 | -                       | -                        | -                    | 5,480               |
| Compensated Absences                             | -                       | 6,717                    | 6,717                | -                   |
| <i>Total Current Liabilities</i>                 | <u>722,380</u>          | <u>119,102</u>           | <u>841,482</u>       | <u>13,871</u>       |
| <i>Noncurrent Liabilities</i>                    |                         |                          |                      |                     |
| Bonds Payable                                    | 259,000                 | 1,334,991                | 1,593,991            | -                   |
| Notes Payable                                    | 12,000                  | -                        | 12,000               | -                   |
| Lease Payable                                    | -                       | -                        | -                    | 5,671               |
| Net Pension Liability                            | 421,895                 | -                        | 421,895              | -                   |
| Compensated Absences                             | 95,446                  | 6,924                    | 102,370              | -                   |
| <i>Total Noncurrent Liabilities</i>              | <u>788,341</u>          | <u>1,341,915</u>         | <u>2,130,256</u>     | <u>5,671</u>        |
| <b>TOTAL LIABILITIES</b>                         | <u>1,510,721</u>        | <u>1,461,017</u>         | <u>2,971,738</u>     | <u>19,542</u>       |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>            |                         |                          |                      |                     |
| Pension Related Items                            | 192,172                 | -                        | 192,172              | -                   |
| <b>NET POSITION:</b>                             |                         |                          |                      |                     |
| Net Investment in Capital Assets                 | 2,974,364               | 4,145,784                | 7,120,148            | 2,337,699           |
| Restricted - for Street Improvements             | 1,909,505               | -                        | 1,909,505            | -                   |
| Restricted - for Grants                          | 203,621                 | 8,000                    | 211,621              | -                   |
| Restricted - for Debt                            | 97,725                  | -                        | 97,725               | -                   |
| Restricted - for Public Safety Purchases         | 135,653                 | -                        | 135,653              | -                   |
| Unrestricted                                     | 1,398,979               | 1,669,976                | 3,068,955            | 593,759             |
| <b>TOTAL NET POSITION</b>                        | <u>\$ 6,719,847</u>     | <u>\$ 5,823,760</u>      | <u>\$ 12,543,607</u> | <u>\$ 2,931,458</u> |

See accompanying notes to financial statements.

## Statement of Activities For the Year Ended June 30, 2022

| Functions/Programs                        | Expenses            | Program Revenues        |  |  | Net (Expense) Revenue and<br>Changes in Net Position |   |                      | Component<br>Units  |
|---|---------------------|-------------------------|--|--|--|---|----------------------|---------------------|
|   |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Primary Government<br>Business-type<br>Activities | Total                |                     |
| <b>Primary Government:</b>                |                     |                         |  |  |  |   |                      |                     |
| <b>Governmental Activities:</b>           |                     |                         |  |  |  |   |                      |                     |
| General Government                        | 667,227             | 67,589                  | 66,287                                   | -                                      | (533,351)  | -   | (533,351)            | -                   |
| Public Safety                             | 779,933             | 11,971                  | 7,961                                    | -                                      | (760,001)  | -   | (760,001)            | -                   |
| Public Works                              | 1,016,239           | 261,632                 | 560,711                                  | 24,122                                 | (169,774)  | -   | (169,774)            | -                   |
| Recreation and Culture                    | 258,054             | 97,968                  | 6,300                                    | -                                      | (153,786)  | -   | (153,786)            | -                   |
| Interest Expense                          | 18,735              | -                       | -  | -                                      | (18,735)   | -   | (18,735)             | -                   |
| Total Governmental Activities             | 2,740,188           | 439,160                 | 641,259                                  | 24,122                                 | (1,635,647)  | -   | (1,635,647)          | -                   |
| <b>Business-type Activities:</b>          |                     |                         |  |  |  |   |                      |                     |
| Sewer                                     | 604,383             | 685,002                 | -  | -                                      | -  | 80,619  | 80,619               | -                   |
| Water                                     | 509,644             | 572,105                 | -  | -                                      | -  | 62,461  | 62,461               | -                   |
| Farmers' Market                           | 13,604              | 2,590                   | -  | -                                      | -  | (11,014)  | (11,014)             | -                   |
| Total Business-type Activities            | 1,127,631           | 1,259,697               | -  | -                                      | -  | 132,066   | 132,066              | -                   |
| Total Primary Government                  | <u>\$ 3,867,819</u> | <u>\$ 1,698,857</u>     | <u>\$ 641,259</u>                        | <u>\$ 24,122</u>                       | <u>(1,635,647)</u>                                   | <u>132,066</u>                                    | <u>(1,503,581)</u>   | <u>-</u>            |
| <b>Component Units:</b>                   |                     |                         |  |  |  |   |                      |                     |
| <b>Public Works</b>                       |                     |                         |  |  |  |   |                      |                     |
| Airport                                   | \$ 297,003          | \$ 76,544               | \$ 26,786                                | \$ 13,000                              |  |   |                      | (180,673)           |
| <b>Economic Development:</b>              |                     |                         |  |  |  |   |                      |                     |
| Downtown Development Authority            | 209,955             | -                       | 46,823                                   | -                                      |  |   |                      | (163,132)           |
| Total Component Units                     | <u>\$ 506,958</u>   | <u>\$ 76,544</u>        | <u>\$ 73,609</u>                         | <u>\$ 13,000</u>                       |  |   |                      | <u>(343,805)</u>    |
| Total                                     |                     |                         |  |  |  |   |                      |                     |
| <b>General Revenues:</b>                  |                     |                         |  |  |  |   |                      |                     |
| Property Taxes                            |                     |                         |  |  | 1,160,475  | -   | 1,160,475            | 198,815             |
| State Revenue Sharing                     |                     |                         |  |  | 411,834  | -   | 411,834              | -                   |
| Federal, State and Local                  |                     |                         |  |  | -  | 46,669  | 46,669               | -                   |
| Investment Earnings                       |                     |                         |  |  | 1,754  | 254   | 2,008                | 26,719              |
| Gain (Loss) on Disposal of Capital Assets |                     |                         |  |  | (538,710)  | (4,422)   | (543,132)            | (11,386)            |
| Other Revenue                             |                     |                         |  |  | 121,154  | 628   | 121,782              | 13,354              |
| Total General Revenue                     |                     |                         |  |  | 1,156,507  | 43,129  | 1,199,636            | 227,502             |
| <b>Transfers:</b>                         |                     |                         |  |  |  |   |                      |                     |
| Transfers                                 |                     |                         |  |  | 264,920  | (264,920)   | -                    | -                   |
| Total Transfers                           |                     |                         |  |  | 264,920  | (264,920)   | -                    | -                   |
| Changes in Net Position                   |                     |                         |  |  | (214,220)  | (89,725)  | (303,945)            | (116,303)           |
| <b>Net Position - Beginning</b>           |                     |                         |  |  | 6,934,067  | 5,913,485   | 12,847,552           | 3,047,761           |
| <b>Net Position - Ending</b>              |                     |                         |  |  | <u>\$ 6,719,847</u>                                  | <u>\$ 5,823,760</u>                               | <u>\$ 12,543,607</u> | <u>\$ 2,931,458</u> |

# City of Gladwin, Michigan

## Balance Sheet Governmental Funds June 30, 2022

|  | General                    | Major<br>Streets           | Local<br>Streets         | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------------|----------------------------|--------------------------|-----------------------------------|--------------------------------|
| <b>ASSETS:</b>                             |                            |                            |                          |                                   |                                |
| Cash and Equivalents                       | \$ 1,351,389               | \$ 1,184,504               | \$ 598,328               | \$ 876,755                        | \$ 4,010,976                   |
| Investments - Unrestricted                 | 373,686                    | -                          | -                        | -                                 | 373,686                        |
| Accounts Receivable                        | 23,151                     | -                          | -                        | -                                 | 23,151                         |
| Due from Governmental Units                | 71,725                     | 51,300                     | 21,848                   | -                                 | 144,873                        |
| Due from Others                            | 106,138                    | -                          | -                        | -                                 | 106,138                        |
| Prepaid Items                              | 3,254                      | -                          | -                        | -                                 | 3,254                          |
| <b>TOTAL ASSETS</b>                        | <u><u>\$ 1,929,343</u></u> | <u><u>\$ 1,235,804</u></u> | <u><u>\$ 620,176</u></u> | <u><u>\$ 876,755</u></u>          | <u><u>\$ 4,662,078</u></u>     |
| <b>LIABILITIES:</b>                        |                            |                            |                          |                                   |                                |
| Accounts Payable                           | \$ 47,012                  | \$ 139,380                 | \$ 16,496                | \$ -                              | \$ 202,888                     |
| Security Deposits                          | 57,714                     | -                          | -                        | -                                 | 57,714                         |
| Accrued Payroll and Related Liabilities    | 20,812                     | 758                        | 1,640                    | 4,477                             | 27,687                         |
| Unearned Revenue                           | 323,195                    | -                          | -                        | -                                 | 323,195                        |
| <b>TOTAL LIABILITIES</b>                   | <u><u>448,733</u></u>      | <u><u>140,138</u></u>      | <u><u>18,136</u></u>     | <u><u>4,477</u></u>               | <u><u>611,484</u></u>          |
| <b>FUND BALANCES:</b>                      |                            |                            |                          |                                   |                                |
| Nonspendable                               | 3,254                      | -                          | -                        | 223,480                           | 226,734                        |
| Restricted                                 | -                          | 1,095,666                  | 602,040                  | 648,798                           | 2,346,504                      |
| Committed                                  | 51,635                     | -                          | -                        | -                                 | 51,635                         |
| Assigned                                   | 2,331                      | -                          | -                        | -                                 | 2,331                          |
| Unassigned                                 | 1,423,390                  | -                          | -                        | -                                 | 1,423,390                      |
| <b>TOTAL FUND BALANCES</b>                 | <u><u>1,480,610</u></u>    | <u><u>1,095,666</u></u>    | <u><u>602,040</u></u>    | <u><u>872,278</u></u>             | <u><u>4,050,594</u></u>        |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u><u>\$ 1,929,343</u></u> | <u><u>\$ 1,235,804</u></u> | <u><u>\$ 620,176</u></u> | <u><u>\$ 876,755</u></u>          |                                |

### Reconciliation to amounts reported for governmental activities in the statement of net position:

|   |                            |
|---|----------------------------|
| Capital assets used by governmental activities                | 3,080,934                  |
| Compensated absences liability                                | (95,446)                   |
| Net pension liability & deferred inflows/outflows             | (302,461)                  |
| Long-term notes and bonds payable for governmental activities | (360,000)                  |
| Accrued interest expense                                      | (3,399)                    |
| Internal service funds included in governmental activities    | 349,625                    |
| <b>Net position of governmental activities</b>                | <u><u>\$ 6,719,847</u></u> |

**Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Governmental Funds  
For the Year Ended June 30, 2022**

|   | General             | Major<br>Streets    | Local<br>Street   | Nonmajor<br>Governmental<br>Funds | Totals<br>Governmental<br>Funds |
|---|---------------------|---------------------|-------------------|-----------------------------------|---------------------------------|
| <b>REVENUES:</b>                            |                     |                     |                   |                                   |                                 |
| Taxes                                       | \$ 907,979          | \$ -                | \$ -              | \$ 252,496                        | \$ 1,160,475                    |
| Special Assessments                         | 32,576              | -                   | -                 | -                                 | 32,576                          |
| Licenses and Permits                        | 47,847              | -                   | -                 | -                                 | 47,847                          |
| Federal Sources                             | 20,197              | 7,725               | -                 | 2,500                             | 30,422                          |
| State Sources                               | 428,833             | 345,489             | 140,829           | 9,167                             | 924,318                         |
| Local Sources                               | 49,975              | -                   | 72,500            | -                                 | 122,475                         |
| Charges for Services                        | 358,737             | -                   | -                 | -                                 | 358,737                         |
| Interest and Rents                          | 3,695               | 129                 | 65                | 280                               | 4,169                           |
| Other Revenue                               | 64,010              | 2,729               | -                 | 52,000                            | 118,739                         |
| <b>TOTAL REVENUES</b>                       | <b>1,913,849</b>    | <b>356,072</b>      | <b>213,394</b>    | <b>316,443</b>                    | <b>2,799,758</b>                |
| <b>EXPENDITURES:</b>                        |                     |                     |                   |                                   |                                 |
| Current                                     |                     |                     |                   |                                   |                                 |
| General Government                          | 648,509             | -                   | -                 | -                                 | 648,509                         |
| Public Safety                               | 567,001             | -                   | -                 | 158,172                           | 725,173                         |
| Public Works                                | 478,755             | 220,829             | 94,471            | 2,500                             | 796,555                         |
| Recreation and Cultural                     | 198,412             | -                   | -                 | -                                 | 198,412                         |
| Capital Outlay                              | -                   | 9,541               | -                 | -                                 | 9,541                           |
| Debt Service                                | 19,975              | -                   | -                 | 95,620                            | 115,595                         |
| <b>TOTAL EXPENDITURES</b>                   | <b>1,912,652</b>    | <b>230,370</b>      | <b>94,471</b>     | <b>256,292</b>                    | <b>2,493,785</b>                |
| <b>EXCESS OF REVENUES OVER (UNDER)</b>      |                     |                     |                   |                                   |                                 |
| <b>EXPENDITURES BEFORE OTHER</b>            |                     |                     |                   |                                   |                                 |
| <b>FINANCING SOURCES (USES)</b>             | <b>1,197</b>        | <b>125,702</b>      | <b>118,923</b>    | <b>60,151</b>                     | <b>305,973</b>                  |
| <b>OTHER FINANCING SOURCES (USES):</b>      |                     |                     |                   |                                   |                                 |
| Transfers In                                | 65,500              | 25,000              | 315,000           | 95,620                            | 501,120                         |
| Transfers Out                               | (43,700)            | (100,000)           | -                 | (115,500)                         | (259,200)                       |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b> | <b>21,800</b>       | <b>(75,000)</b>     | <b>315,000</b>    | <b>(19,880)</b>                   | <b>241,920</b>                  |
| <b>NET CHANGE IN FUND BALANCES</b>          | <b>22,997</b>       | <b>50,702</b>       | <b>433,923</b>    | <b>40,271</b>                     | <b>547,893</b>                  |
| <b>FUND BALANCE BEGINNING OF YEAR</b>       | <b>1,457,613</b>    | <b>1,044,964</b>    | <b>168,117</b>    | <b>832,007</b>                    | <b>3,502,701</b>                |
| <b>FUND BALANCE END OF YEAR</b>             | <b>\$ 1,480,610</b> | <b>\$ 1,095,666</b> | <b>\$ 602,040</b> | <b>\$ 872,278</b>                 | <b>\$ 4,050,594</b>             |

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**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2022**

Net changes in fund balances - total governmental funds \$ 547,893

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

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$292,879) and loss on disposal of capital assets (\$538,710) exceeded capital outlay \$9,541 in the current period. (822,048)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments 96,000

An internal service fund is used by management to charge the costs of certain activities, such as equipment costs, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (2,453)

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

Compensated absences (23,010)  
Pension items (11,462)  
Accrued interest 860

Changes in net position of governmental activities \$ (214,220)

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**Statement of Revenues, Expenditures, and  
Changes in Fund Balances Budget and Actual - General Fund  
For the Year Ended June 30, 2022**

|                                     | Budgeted Amounts |                  | Actual           | Variance with                            |
|-------------------------------------|------------------|------------------|------------------|--|
|                                     | Original         | Final            | Amounts          | Final Budget -<br>Positive<br>(Negative) |
| REVENUES:                           |                  |                  |                  |  |
| Taxes                               | \$ 907,272       | \$ 907,987       | \$ 907,979       | \$ (8)                                   |
| Special Assessments                 | 32,805           | 32,576           | 32,576           | -  |
| Licenses and Permits                | 47,980           | 47,810           | 47,847           | 37                                       |
| Federal Sources                     | 142,825          | 20,197           | 20,197           | -  |
| State Sources                       | 376,329          | 417,321          | 428,833          | 11,512                                   |
| Local Sources                       | 49,976           | 49,975           | 49,975           | -  |
| Charges for Services                | 303,887          | 382,383          | 358,737          | (23,646)                                 |
| Interest and Rents                  | 3,650            | 3,650            | 3,695            | 45                                       |
| Other Revenue                       | 12,500           | 65,236           | 64,010           | (1,226)                                  |
| <b>TOTAL REVENUES</b>               | <b>1,877,224</b> | <b>1,927,135</b> | <b>1,913,849</b> | <b>(13,286)</b>                          |
| EXPENDITURES:                       |                  |                  |                  |  |
| General Government:                 |                  |                  |                  |  |
| City Council                        | 66,050           | 57,441           | 58,564           | (1,123)                                  |
| Manager                             | 80,435           | 85,700           | 85,620           | 80                                       |
| General Office                      | 131,070          | 189,679          | 187,870          | 1,809                                    |
| Clerk                               | 68,820           | 79,910           | 79,960           | (50)                                     |
| Treasurer                           | 80,050           | 91,105           | 90,933           | 172                                      |
| Building and Grounds                | 29,150           | 20,255           | 19,917           | 338                                      |
| Planning Commission                 | 3,750            | 2,000            | 1,389            | 611                                      |
| Assessor                            | 62,220           | 69,535           | 69,372           | 163                                      |
| Elections                           | 9,190            | 7,056            | 6,986            | 70                                       |
| Zoning Administration               | 53,480           | 36,960           | 35,732           | 1,228                                    |
| Code Enforcement                    | 11,135           | 11,240           | 11,179           | 61                                       |
| Board of Appeals                    | 1,500            | 30               | 30               | -  |
| Board of Review                     | 1,180            | 958              | 957              | 1  |
| <b>Total General Government</b>     | <b>598,030</b>   | <b>651,869</b>   | <b>648,509</b>   | <b>3,360</b>                             |
| Public Safety:                      |                  |                  |                  |  |
| Police Department                   | 533,438          | 556,760          | 557,001          | (241)                                    |
| Fire Department                     | 10,000           | 10,000           | 10,000           | -  |
| <b>Total Public Safety</b>          | <b>543,438</b>   | <b>566,760</b>   | <b>567,001</b>   | <b>(241)</b>                             |
| Public Works:                       |                  |                  |                  |  |
| Cemetery                            | 48,087           | 71,340           | 73,677           | (2,337)                                  |
| Solid Waste                         | 203,275          | 238,020          | 238,217          | (197)                                    |
| Public Works                        | 128,705          | 117,861          | 116,006          | 1,855                                    |
| Street Lighting                     | 52,000           | 47,095           | 50,855           | (3,760)                                  |
| Sidewalks                           | 1,050            | -                | -                | -  |
| <b>Total Public Works</b>           | <b>433,117</b>   | <b>474,316</b>   | <b>478,755</b>   | <b>(4,439)</b>                           |
| Recreation and Culture:             |                  |                  |                  |  |
| Community Center                    | 2,390            | 35,608           | 34,540           | 1,068                                    |
| Council of the Arts                 | 363              | -                | -                | -  |
| Parks and Recreation                | 134,080          | 165,105          | 163,872          | 1,233                                    |
| <b>Total Recreation and Culture</b> | <b>136,833</b>   | <b>200,713</b>   | <b>198,412</b>   | <b>2,301</b>                             |

**Statement of Revenues, Expenditures, and  
Changes in Fund Balances Budget and Actual - General Fund  
For the Year Ended June 30, 2022**

|  | Budgeted Amounts |           | Actual       | Variance with                            |
|--|------------------|-----------|--------------|--|
|  | Original         | Final     | Amounts      | Final Budget -<br>Positive<br>(Negative) |
| EXPENDITURES: (Continued)  |                  |           |              |  |
| Capital Outlay   | -                | -         | -            | -  |
| Debt Service   | 19,975           | 19,975    | 19,975       | -  |
| TOTAL EXPENDITURES   | 1,731,393        | 1,913,633 | 1,912,652    | 981                                      |
| EXCESS OF REVENUES OVER (UNDER)<br>EXPENDITURES BEFORE OTHER<br>FINANCING SOURCES (USES) | 145,831          | 13,502    | 1,197        | (12,305)                                 |
| OTHER FINANCING SOURCES (USES):  |                  |           |              |  |
| Transfers In   | 65,500           | 65,500    | 65,500       | -  |
| Transfers Out  | (43,700)         | (43,700)  | (43,700)     | -  |
| TOTAL OTHER FINANCING SOURCES (USES)   | 21,800           | 21,800    | 21,800       | -  |
| NET CHANGE IN FUND BALANCES  | \$ 167,631       | \$ 35,302 | 22,997       | \$ (12,305)                              |
| FUND BALANCE BEGINNING OF YEAR,  |                  |           | 1,457,613    |  |
| FUND BALANCE END OF YEAR   |                  |           | \$ 1,480,610 |  |

**Statement of Revenues, Expenditures, and  
Changes in Fund Balances Budget and Actual - Major Streets Fund  
For the Year Ended June 30, 2022**

|   | Budgeted Amounts |                  | Actual              | Variance with                            |
|---|------------------|------------------|---------------------|--|
|   | Original         | Final            | Amounts             | Final Budget -<br>Positive<br>(Negative) |
| REVENUES:   |                  |                  |                     |  |
| Federal Sources   | \$ -             | \$ 7,725         | \$ 7,725            | \$ -                                     |
| State Sources   | 312,314          | 338,048          | 345,489             | 7,441                                    |
| Interest  | 150              | 150              | 129                 | (21)                                     |
| Other Revenue   | 750              | 2,729            | 2,729               | -  |
| <b>TOTAL REVENUES</b>   | <b>313,214</b>   | <b>348,652</b>   | <b>356,072</b>      | <b>7,420</b>                             |
| EXPENDITURES:   |                  |                  |                     |  |
| Public Works  | 200,130          | 233,330          | 220,829             | 12,501                                   |
| Capital Outlay  | -                | 9,541            | 9,541               | -  |
| <b>TOTAL EXPENDITURES</b>   | <b>200,130</b>   | <b>242,871</b>   | <b>230,370</b>      | <b>12,501</b>                            |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES BEFORE OTHER<br/>FINANCING SOURCES (USES)</b> | <b>113,084</b>   | <b>105,781</b>   | <b>125,702</b>      | <b>19,921</b>                            |
| OTHER FINANCING SOURCES (USES):   |                  |                  |                     |  |
| Transfers In  | 25,000           | 25,000           | 25,000              | -  |
| Transfers Out   | (100,000)        | (100,000)        | (100,000)           | -  |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>   | <b>(75,000)</b>  | <b>(75,000)</b>  | <b>(75,000)</b>     | <b>-</b>                                 |
| <b>NET CHANGE IN FUND BALANCES</b>  | <b>\$ 38,084</b> | <b>\$ 30,781</b> | <b>50,702</b>       | <b>\$ 19,921</b>                         |
| <b>FUND BALANCE BEGINNING OF YEAR</b>   |                  |                  | <b>1,044,964</b>    |  |
| <b>FUND BALANCE END OF YEAR</b>   |                  |                  | <b>\$ 1,095,666</b> |  |

**Statement of Revenues, Expenditures, and  
Changes in Fund Balances Budget and Actual - Local Streets Fund  
For the Year Ended June 30, 2022**

|   | Budgeted Amounts  |                   | Actual            | Variance with                            |
|---|-------------------|-------------------|-------------------|--|
|   | Original          | Final             | Amounts           | Final Budget -<br>Positive<br>(Negative) |
| REVENUES:   |                   |                   |                   |  |
| State Sources   | \$ 133,848        | \$ 138,281        | \$ 140,829        | \$ 2,548                                 |
| Local Sources   | 72,500            | 72,500            | 72,500            | -  |
| Interest  | 170               | 64                | 65                | 1  |
| TOTAL REVENUES  | 206,518           | 210,845           | 213,394           | 2,549                                    |
| EXPENDITURES:   |                   |                   |                   |  |
| Public Works  | 382,675           | 75,641            | 94,471            | (18,830)                                 |
| TOTAL EXPENDITURES  | 382,675           | 75,641            | 94,471            | (18,830)                                 |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES BEFORE OTHER<br/>FINANCING SOURCES (USES)</b> | <b>(176,157)</b>  | <b>135,204</b>    | <b>118,923</b>    | <b>21,379</b>                            |
| OTHER FINANCING SOURCES (USES):   |                   |                   |                   |  |
| Transfers In  | 315,000           | 315,000           | 315,000           | -  |
| <b>NET CHANGE IN FUND BALANCES</b>  | <b>\$ 138,843</b> | <b>\$ 450,204</b> | <b>433,923</b>    | <b>\$ 21,379</b>                         |
| <b>FUND BALANCE BEGINNING OF YEAR</b>   |                   |                   | <b>168,117</b>    |  |
| <b>FUND BALANCE END OF YEAR</b>   |                   |                   | <b>\$ 602,040</b> |  |

**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2022**

|  | Business - type Activities<br>Enterprise Funds |                     |                   |                     | Governmental<br>Activities  |
|--|--|---------------------|-------------------|---------------------|-----------------------------|
|  | Nonmajor<br>Farmers<br>Market                  |                     |                   | Total               | Internal<br>Service<br>Fund |
|  | Sewer  | Water               |                   |                     |                             |
| <b>ASSETS:</b>   |  |                     |                   |                     |                             |
| <i>Current Assets</i>  |  |                     |                   |                     |                             |
| Cash and Equivalents - Unrestricted  | \$ 1,025,667                                   | \$ 509,536          | \$ 13,460         | \$ 1,548,663        | \$ 79,455                   |
| Cash and Equivalents - Restricted  | -  | 115,618             | -                 | 115,618             | -                           |
| Investments  | -  | 2,966               | -                 | 2,966               | -                           |
| Accounts Receivable  | 33,442   | 28,115              | -                 | 61,557              | -                           |
| Prepaid Items  | 88   | 88                  | -                 | 176                 | -                           |
| Inventory  | -  | 32,259              | -                 | 32,259              | -                           |
| <i>Total Current Assets</i>  | <u>1,059,197</u>                               | <u>688,582</u>      | <u>13,460</u>     | <u>1,761,239</u>    | <u>79,455</u>               |
| <i>Noncurrent Assets</i>   |  |                     |                   |                     |                             |
| Capital Assets (Not Depreciated)   | 11,200   | 36,984              | -                 | 48,184              | -                           |
| Capital Assets (Net of Accumulated Depreciation)   | <u>1,308,711</u>                               | <u>3,961,209</u>    | <u>226,671</u>    | <u>5,496,591</u>    | <u>267,430</u>              |
| <i>Total Noncurrent Assets</i>   | <u>1,319,911</u>                               | <u>3,998,193</u>    | <u>226,671</u>    | <u>5,544,775</u>    | <u>267,430</u>              |
| <b>TOTAL ASSETS</b>  | <u>2,379,108</u>                               | <u>4,686,775</u>    | <u>240,131</u>    | <u>7,306,014</u>    | <u>346,885</u>              |
| <b>LIABILITIES:</b>  |  |                     |                   |                     |                             |
| <i>Current Liabilities</i>   |  |                     |                   |                     |                             |
| Accounts Payable   | 18,306   | 8,582               | 1,861             | 28,749              | 4,410                       |
| Accrued Payroll and Related Liabilities  | 4,184  | 2,041               | -                 | 6,225               | 87                          |
| Accrued Interest Payable   | -  | 13,411              | -                 | 13,411              | -                           |
| Current Portion of Compensated Absences  | 6,717  | -                   | -                 | 6,717               | -                           |
| Current Portion of Installment Loans Payable   | -  | -                   | -                 | -                   | 2,000                       |
| Current Portion of Bonds Payable   | -  | 64,000              | -                 | 64,000              | -                           |
| <i>Total Current Liabilities</i>   | <u>29,207</u>                                  | <u>88,034</u>       | <u>1,861</u>      | <u>119,102</u>      | <u>6,497</u>                |
| <i>Noncurrent Liabilities</i>  |  |                     |                   |                     |                             |
| Compensated Absences   | 6,924  | -                   | -                 | 6,924               | -                           |
| Installment Loans Payable  | -  | -                   | -                 | -                   | 12,000                      |
| Bonds Payable  | -  | 1,334,991           | -                 | 1,334,991           | -                           |
| <i>Total Noncurrent Liabilities</i>  | <u>6,924</u>                                   | <u>1,334,991</u>    | <u>-</u>          | <u>1,341,915</u>    | <u>12,000</u>               |
| <b>TOTAL LIABILITIES</b>   | <u>36,131</u>                                  | <u>1,423,025</u>    | <u>1,861</u>      | <u>1,461,017</u>    | <u>18,497</u>               |
| <b>NET POSITION:</b>   |  |                     |                   |                     |                             |
| Net Investment in Capital Assets   | 1,319,911                                      | 2,599,202           | 226,671           | 4,145,784           | 253,430                     |
| Restricted for Farmer's Market Grant   | -  | -                   | 8,000             | 8,000               | -                           |
| Unrestricted   | <u>1,023,066</u>                               | <u>664,548</u>      | <u>3,599</u>      | <u>1,691,213</u>    | <u>74,958</u>               |
| <b>TOTAL NET POSITION</b>  | <u>\$ 2,342,977</u>                            | <u>\$ 3,263,750</u> | <u>\$ 238,270</u> | <u>5,844,997</u>    | <u>\$ 328,388</u>           |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. |  |                     |                   | <u>(21,237)</u>     |                             |
| Net position of business-type activities   |  |                     |                   | <u>\$ 5,823,760</u> |                             |

**Statement of Revenues, Expenses, and  
Changes in Net Position - Proprietary Funds  
For the Year Ended June 30, 2022**

|   | Business - type Activities<br>Enterprise Funds |              |                               |              | Governmental<br>Activities  |
|---|--|--------------|-------------------------------|--------------|-----------------------------|
|   | Sewer  | Water        | Nonmajor<br>Farmers<br>Market | Total        | Internal<br>Service<br>Fund |
| <b>OPERATING REVENUES:</b>  |  |              |                               |              |                             |
| Charges for Services  | \$ 685,002                                     | \$ 572,105   | \$ 2,590                      | \$ 1,259,697 | \$ 113,883                  |
| Federal Sources   | 45,200   | -            | -                             | 45,200       | -                           |
| Total Operating Revenues  | 730,202  | 572,105      | 2,590                         | 1,304,897    | 113,883                     |
| <b>OPERATING EXPENSES:</b>  |  |              |                               |              |                             |
| Personnel Services  | 232,664  | 139,618      | -                             | 372,282      | 25,425                      |
| Contracted Services   | 80,268   | 19,135       | 1,265                         | 100,668      | -                           |
| Insurance   | 3,964  | 6,008        | 426                           | 10,398       | 13,762                      |
| Equipment Rental  | 12,390   | 13,085       | -                             | 25,475       | -                           |
| Supplies  | 71,718   | 44,410       | 643                           | 116,771      | 48,330                      |
| Utilities   | 91,036   | 46,509       | 225                           | 137,770      | -                           |
| Repair and Maintenance  | 18,679   | 9,409        | 12                            | 28,100       | 6,159                       |
| Depreciation  | 77,342   | 176,520      | 9,784                         | 263,646      | 67,123                      |
| Miscellaneous   | 16,322   | 11,213       | 1,249                         | 28,784       | 37                          |
| Total Operating Expenses  | 604,383  | 465,907      | 13,604                        | 1,083,894    | 160,836                     |
| <b>OPERATING INCOME (LOSS)</b>  | 125,819  | 106,198      | (11,014)                      | 221,003      | (46,953)                    |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>   |  |              |                               |              |                             |
| Interest and Rents  | 253  | -            | 1                             | 254          | 10                          |
| State Sources   | -  | 969          | -                             | 969          | -                           |
| Local Sources   | -  | -            | 500                           | 500          | -                           |
| Gain (Loss) on Disposal of Capital Assets   | -  | 15,634       | (20,056)                      | (4,422)      | 20,081                      |
| Other Revenue   | -  | -            | 628                           | 628          | 1,759                       |
| Interest Expense  | -  | (43,737)     | -                             | (43,737)     | (350)                       |
| Total Non-Operating Revenues (Expenses)   | 253  | (27,134)     | (18,927)                      | (45,808)     | 21,500                      |
| <b>INCOME (LOSS) BEFORE TRANSFERS<br/>AND CAPITAL CONTRIBUTIONS</b>   | 126,072  | 79,064       | (29,941)                      | 175,195      | (25,453)                    |
| <b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>   |  |              |                               |              |                             |
| Transfers In  | -  | 10,000       | 3,700                         | 13,700       | 30,000                      |
| Transfers Out   | (198,120)                                      | (80,500)     | -                             | (278,620)    | (7,000)                     |
| Total Transfers and Capital Contributions   | (198,120)                                      | (70,500)     | 3,700                         | (264,920)    | 23,000                      |
| <b>CHANGES IN NET POSITION</b>  | (72,048)                                       | 8,564        | (26,241)                      | (89,725)     | (2,453)                     |
| <b>NET POSITION, JULY 1</b>   | 2,415,025                                      | 3,255,186    | 264,511                       | 5,934,722    | 330,841                     |
| <b>NET POSITION, JUNE 30</b>  | \$ 2,342,977                                   | \$ 3,263,750 | \$ 238,270                    | \$ 5,844,997 | \$ 328,388                  |
| Change in net position, above   |  |              |                               | \$ (89,725)  |                             |
| Adjustment to reflect the consolidation of internal<br>service fund activities related to enterprise funds. |  |              |                               | -            |                             |
| Change in net position of business-type activities  |  |              |                               | \$ (89,725)  |                             |

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2022**

|   | Business - type Activities<br>Enterprise Funds |            |             |              | Governmental<br>Activities  |
|---|--|------------|-------------|--------------|-----------------------------|
|   | Nonmajor<br>Farmers<br>Market                  |            |             | Total        | Internal<br>Service<br>Fund |
|   | Sewer  | Water      |             |              |                             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |  |            |             |              |                             |
| Receipts from Customers   | \$ 768,933                                     | \$ 598,427 | \$ 2,915    | \$ 1,370,275 | \$ 4,560                    |
| Payments to Suppliers   | (276,491)                                      | (144,016)  | (3,572)     | (424,079)    | (64,645)                    |
| Payments to Employees   | (237,951)                                      | (138,941)  | -           | (376,892)    | (25,693)                    |
| Internal Activity - Payments/Receipts with Other Funds  | -  | -          | -           | -            | 109,323                     |
| Net Cash Provided (Used) by Operating Activities  | 254,491  | 315,470    | (657)       | 569,304      | 23,545                      |
| <b>CASH FLOWS FROM NONCAPITAL AND<br/>RELATED FINANCING ACTIVITIES:</b>                                   |  |            |             |              |                             |
| Payments to (received from) Other Funds   | -  | -          | (18,651)    | (18,651)     | -                           |
| State Sources   | -  | 969        | -           | 969          | -                           |
| Local Sources   | -  | -          | 500         | 500          | -                           |
| Other Revenue   | -  | -          | 628         | 628          | 1,759                       |
| Transfers In  | -  | 10,000     | 3,700       | 13,700       | 30,000                      |
| Transfers Out   | (198,120)                                      | (80,500)   | -           | (278,620)    | (7,000)                     |
| Net Cash Provided (Used) by Noncapital and<br>Related Financing Activities                                | (198,120)                                      | (69,531)   | (13,823)    | (281,474)    | 24,759                      |
| <b>CASH FLOWS FROM CAPITAL AND<br/>RELATED FINANCING ACTIVITIES:</b>                                      |  |            |             |              |                             |
| Purchase of Capital Assets  | (30,688)                                       | -          | -           | (30,688)     | (33,236)                    |
| Proceeds from Sale of Capital Assets  | -  | -          | -           | -            | 23,582                      |
| Interest Payments   | -  | (43,737)   | -           | (43,737)     | (350)                       |
| Principal Payments  | -  | (64,000)   | -           | (64,000)     | (2,000)                     |
| Net Cash Provided (Used) by Capital and Related<br>Financing Activities                                   | (30,688)                                       | (107,737)  | -           | (138,425)    | (12,004)                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |  |            |             |              |                             |
| Net (increase)/decrease in investments  | -  | (7)        | -           | (7)          | -                           |
| Interest Income   | 253  | -          | 1           | 254          | 10                          |
| Net Cash Provided (Used) by Investing Activities  | 253  | (7)        | 1           | 247          | 10                          |
| Net Increase (Decrease) in Cash and Equivalents   | 25,936   | 138,195    | (14,479)    | 149,652      | 36,310                      |
| Balances - Beginning of the Year  | 999,731  | 486,959    | 27,939      | 1,514,629    | 43,145                      |
| Balances - End of the Year  | \$ 1,025,667                                   | \$ 625,154 | \$ 13,460   | \$ 1,664,281 | \$ 79,455                   |
| <b>Reconciliation of Operating Income (Loss) to<br/>Net Cash Provided (Used) by Operating Activities:</b> |  |            |             |              |                             |
| Operating Income (Loss)   | \$ 125,819                                     | \$ 106,198 | \$ (11,014) | \$ 221,003   | \$ (46,953)                 |
| Adjustments to Reconcile Operating Income (Loss) to<br>Net Cash Provided (Used) by Operating Activities:  |  |            |             |              |                             |
| Depreciation Expense  | 77,342   | 176,520    | 9,784       | 263,646      | 67,123                      |
| Change in Assets and Liabilities:   |  |            |             |              |                             |
| (Increase) Decrease in Assets:  |  |            |             |              |                             |
| Accounts Receivable   | 38,731   | 26,322     | 325         | 65,378       | -                           |
| Prepaid Items and Inventory   | (88)   | (3,846)    | -           | (3,934)      | -                           |
| Increase (Decrease) in Liabilities:   |  |            |             |              |                             |
| Accounts Payable  | 17,974   | 7,659      | 248         | 25,881       | 3,830                       |
| Accrued Liabilities   | 1,076  | 677        | -           | 1,753        | (268)                       |
| Accrued Interest  | -  | 1,940      | -           | 1,940        | (187)                       |
| Compensated Absences  | (6,363)  | -          | -           | (6,363)      | -                           |
| Net Cash Provided (Used) by Operating Activities  | \$ 254,491                                     | \$ 315,470 | \$ (657)    | \$ 569,304   | \$ 23,545                   |

**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2022**

|                      | <u>Custodial Fund</u><br><u>Tax Collection</u><br><u>Fund</u> |
|----------------------|---|
| <b>ASSETS:</b>       |   |
| Cash and Equivalents | \$ -  |
| <br>TOTAL ASSETS     | <br>\$ -  |

**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2022**

|   | Custodial Fund<br>Tax Collection<br>Fund |
|---|--|
| <b>ADDITIONS:</b>   |  |
| Taxes Collected for Other Governments                     | \$ 1,371,219                             |
| Payments in Lieu of Taxes Collected for Other Governments | 45,935                                   |
| <b>TOTAL ADDITIONS</b>                                    | <b>1,417,154</b>                         |
| <b>DEDUCTIONS:</b>  |  |
| Payments of Taxes to Other Governments                    | 1,361,797                                |
| Payments in Lieu of Taxes Paid to Other Governments       | 45,935                                   |
| Overpayment of Taxes to Taxpayers                         | 9,462                                    |
| <b>TOTAL DEDUCTIONS</b>                                   | <b>1,417,194</b>                         |
| Change in Cash Balance                                    | (40)                                     |
| Cash, Beginning of Year                                   | 40                                       |
| Cash, End of Year   | \$ -                                     |

|  | Downtown<br>Development<br>Authority | Airport             | EDC              | Totals              |
|--|--------------------------------------|---------------------|------------------|---------------------|
| <b>ASSETS:</b>                                 |                                      |                     |                  |                     |
| Cash and Equivalents                           | \$ 354,714                           | \$ 180,013          | \$ 25,088        | \$ 559,815          |
| Inventory                                      | -                                    | 45,742              | -                | 45,742              |
| Right of Use Asset                             | -                                    | 7,744               | -                | 7,744               |
| Capital Assets Not Depreciated                 | 141,256                              | 57,000              | -                | 198,256             |
| Capital Assets Net of Accumulated Depreciation | 256,918                              | 1,882,525           | -                | 2,139,443           |
| <b>TOTAL ASSETS</b>                            | <b>752,888</b>                       | <b>2,173,024</b>    | <b>25,088</b>    | <b>2,951,000</b>    |
| <b>LIABILITIES:</b>                            |                                      |                     |                  |                     |
| Accounts Payable                               | 120                                  | 2,138               | -                | 2,258               |
| Accrued Liabilities                            | 213                                  | -                   | -                | 213                 |
| Security Deposits                              | -                                    | 5,920               | -                | 5,920               |
| Leases Payable                                 | -                                    | 11,151              | -                | 11,151              |
| <b>TOTAL LIABILITIES</b>                       | <b>333</b>                           | <b>19,209</b>       | <b>-</b>         | <b>19,542</b>       |
| <b>NET POSITION:</b>                           |                                      |                     |                  |                     |
| Net Investment in Capital Assets               | 398,174                              | 1,939,525           | -                | 2,337,699           |
| Unrestricted                                   | 354,381                              | 214,290             | 25,088           | 593,759             |
| <b>TOTAL NET POSITION</b>                      | <b>\$ 752,555</b>                    | <b>\$ 2,153,815</b> | <b>\$ 25,088</b> | <b>\$ 2,931,458</b> |

**Combining Statement of Revenues, Expenses  
and Changes in Net Position  
Component Units  
For the Year Ended June 30, 2022**

| Functions/Programs                        | Expenses          | Program Revenues        |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                     |                  |                     |
|---|-------------------|-------------------------|--|--|--|---------------------|------------------|---------------------|
|   |                   | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Downtown<br>Development<br>Authority                 | Airport             | EDC              | Total               |
| <b>Economic Development:</b>              |                   |                         |  |  |  |                     |                  |                     |
| EDC                                       | \$ -              | \$ -                    | \$ -                                     | \$ -                                   | \$ -   | \$ -                | \$ -             | \$ -                |
| <b>Public Works:</b>                      |                   |                         |  |  |  |                     |                  |                     |
| Airport                                   | 297,003           | 76,544                  | 26,786                                   | 13,000                                 | -  | (180,673)           | -                | (180,673)           |
| <b>Economic Development:</b>              |                   |                         |  |  |  |                     |                  |                     |
| Downtown Development Authority            | 209,955           | -                       | 46,823                                   | -                                      | (163,132)  | -                   | -                | (163,132)           |
| Total Component Units                     | <u>\$ 506,958</u> | <u>\$ 76,544</u>        | <u>\$ 73,609</u>                         | <u>\$ 13,000</u>                       | <u>(163,132)</u>                                     | <u>(180,673)</u>    | <u>-</u>         | <u>(343,805)</u>    |
| <b>General Revenues:</b>                  |                   |                         |  |  |  |                     |                  |                     |
| Property Taxes                            |                   |                         |  |  | 198,815  | -                   | -                | 198,815             |
| Gain (Loss) on Disposal of Capital Assets |                   |                         |  |  | -  | (11,386)            | -                | (11,386)            |
| Interest Income                           |                   |                         |  |  | 100  | 26,584              | 35               | 26,719              |
| Other Revenue                             |                   |                         |  |  | -  | 13,354              | -                | 13,354              |
| <b>Total General Revenues</b>             |                   |                         |  |  | <u>198,915</u>                                       | <u>28,552</u>       | <u>35</u>        | <u>227,502</u>      |
| Changes in Net Position                   |                   |                         |  |  | 35,783   | (152,121)           | 35               | (116,303)           |
| Net Position - Beginning                  |                   |                         |  |  | <u>716,772</u>                                       | <u>2,305,936</u>    | <u>25,053</u>    | <u>3,047,761</u>    |
| <b>Net Position - Ending</b>              |                   |                         |  |  | <u>\$ 752,555</u>                                    | <u>\$ 2,153,815</u> | <u>\$ 25,088</u> | <u>\$ 2,931,458</u> |

## **Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Gladwin, Michigan (the “City”), conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board 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 of Gladwin.

**A. Reporting Entity**

The City is organized under Michigan’s Comprehensive Home Rule City Act. An eight-member City Council (Council) is the governing body elected by the community at large. The community also elects the Mayor. The Council appoints a City Administrator. As required by GAAP, the financial statements of the reporting entity include those of the City and its component units. The component units discussed below are included in the City’s reporting entity because they are entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the governmentwide financial statements (see note below for description) to emphasize that it is legally separate from the City.

***Discretely Presented Component Units***

*Downtown Development Authority (DDA)* – The City appoints a voting majority and is able to impose its will on the DDA. It has incurred specific financial burdens in the form of general obligation bonds and is responsible for compliance with federal grants received in conjunction with the DDA’s projects. In accordance with Statement of Michigan Governmental Accounting and Auditing No. 5, the DDA has been discretely presented. The DDA does not issue any other formal financial statements except as contained in the City’s Annual Comprehensive Financial Report.

*Economic Development Corporation (EDC)* – The City appoints a voting majority of the EDC Board and is able to impose its will on the EDC. The primary purpose of the EDC is to encourage and assist commercial enterprises to locate and expand facilities and services to the City and its residents. In accordance with the terms of the lease contracts, the EDC in conjunction with the City issues bonds and the commercial enterprise agrees to make lease payments in amounts equal to the bond principal and interest. The bond proceeds are used to finance projects, which will benefit the commercial enterprise. The bonds are payable from the net revenues derived from the project and are collateralized by mortgages on the projects and the lease contracts. The EDC financial statements are discretely presented as part of the City. The EDC does not issue any other formal financial statements except as contained in the City’s Annual Comprehensive Financial Report.

*Gladwin Zettel Memorial Airport (Airport)* – The City is a participant with Gladwin County (County) in a joint venture to operate the Airport. The City and County equally appoint the Airport Board; however, the City is able to impose its will and has assumed the obligation to provide financial support to the Airport and to finance deficits as they occur. Thus, the Airport’s financial statements are discretely presented as part of the City. The Airport does not issue any other formal statements except as contained in the City’s Annual Comprehensive Financial Report.

***Jointly Governed Organization***

*Gladwin County Trails Recreation Authority* - The Gladwin County Trails Recreation Authority (the “Authority”) was created as a non-profit corporation in 2014 under provisions of Act 321, Michigan Public Acts of 2000. The local governments comprising the Authority include the City of Gladwin, the City of Beaverton, the Township of Grout, the Township of Buckeye and the Township of Tobacco. The Authority provides trail and facility maintenance. The Authority is not included in any other governmental “reporting entity” as defined by GASB 61, since none of these governmental units appoint a majority of the Authority’s board, the board members have decision making authority, the authority to set rates, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****B. Government-Wide Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

**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 proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

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

The *Major Street Fund* accounts for the use of motor fuel taxes which are restricted by State statutes for major street and highway purposes.

The *Local Street Fund* accounts for the use of motor fuel taxes which are restricted by State statutes for local street purposes.

The City reports the following major proprietary funds:

The *Sewer Fund* accounts for the activities of collecting and treating waste waters.

The *Water Fund* accounts for the costs of providing water services to City residents.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Additionally, the City reports the following fund types:

The *Internal Service Fund* accounts for vehicle and equipment use and management services provided to other departments of the City on a cost reimbursement basis.

The *Custodial funds* account for assets held by the City acting as a custodian for individuals and/or other entities. The City uses a custodial fund for tax collection of others.

*Special Revenue Funds.* These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

*Capital Project Fund.* Thus, fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities or capital assets.

*Debt Service Funds.* These debt service funds account for the servicing of general long-term debt.

*Permanent Fund.* This fund accounts for the cemetery perpetual care.

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

***Government-wide, Proprietary and Fiduciary Fund Financial Statements.*** The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for custodial funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash is disbursed.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

***Governmental Fund Financial Statements.*** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. Property taxes, state revenue, and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance*****Cash, Equivalents, and Investments***

The City has defined cash and equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Shared pooled investment income is allocated to each fund based on its percentage of the balance in the pool. Investments are reported at fair value.

***Receivables and Payables***

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

***Inventories and Prepaid Items***

In the enterprise funds, inventories are valued at cost using the first-in, first-out or specific identification method. The costs of inventories in the governmental funds are recorded as expenditures when purchased, which is the purchase method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the City), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets, donated works of art, and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all roads and streets regardless of their acquisition date or amount.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

|                                |               |
|--------------------------------|---------------|
| Land Improvements              | 20 Years      |
| Buildings                      | 30 years      |
| Building Improvements          | 10 years      |
| Equipment                      | 5 to 30 years |
| Vehicles                       | 5 to 10 years |
| Water and Sewer Lines          | 30 years      |
| Storm Sewer                    | 50 years      |
| Disposal System                | 30 years      |
| Roads and Other Infrastructure | 3 to 50 years |

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Pension Plan and additions to/deductions from the 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 when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Deferred Outflows 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 has pension items that qualify for reporting in this category.

***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position and governmental funds balance sheet 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 has pension items that qualify for reporting in this category.

***Long-Term Obligations***

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

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

***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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Fund Balance Classification***

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable**: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Inventory and Prepaid Items as being Nonspendable as these items are not expected to be converted to cash within the next year, in addition to cash for the Cemetery Perpetual Care Fund as this item is contractually required to stay intact. The City has \$226,734 in nonspendable fund balance.
- **Restricted**: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has \$2,346,504 in restricted fund balance that are limited by law and regulations of others. This amount is made up of \$97,725 for debt service, \$1,909,505 for street maintenance and construction, \$130,815 for drug law enforcement, \$65,296 for the iron removal plant capital project, \$7,510 for liquor law enforcement and \$135,653 for public safety purchases.
- **Committed**: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. The City Council is the highest level of decision-making authority for the City Council. Commitments may be established, modified, or rescinded only through ordinances approved by the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City Council has committed \$41,635 for City Hall improvements and \$10,000 for unfunded liabilities.
- **Assigned**: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has assigned \$500 for park improvements and \$1,831 for skate parks.
- **Unassigned**: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

To preserve a sound financial system and to provide a stable financial base, the City has adopted a Minimum Unassigned Fund Balance policy. At a minimum, unassigned fund balance of \$400,000 will be maintained. The minimum unassigned fund balance will be determined each year and reported as part of the fiscal budget.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Use of Estimates***

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

***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***

Property taxes are levied each July 1 (lien date) on the taxable valuation of property located in the City as of the preceding November 30. Taxes are considered past due on July 31, at which time applicable penalties and interest are assessed. Assessed values are established annually by the City and are equalized by the State at an estimated 50 percent of current market value. Taxable values change annually, due to the Consumer Price Index and any construction added to the property. Real and personal property in the City for the 2021 levy had a taxable value of \$66,038,390. The City's operating tax rate for the 2021 levy, collected in the fiscal year ended June 30, 2022, was 14.4772 mills for operating and 1.9990 mills for debt.

***Vested Benefits Payable***

The City's policy allows employees to accumulate earned but unused vacation benefits. Accumulated sick and vacation is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they matured, for example, as a result of employee resignations and retirements.

***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 (including the Airport Component Unit) 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.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***Budgetary Basis of Accounting***

Annual budgets are adopted for the General Fund and all special revenue funds. The City Administrator submits to the City Council, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on a basis consistent with the accounting basis utilized by the fund. Public hearings are conducted to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through a resolution passed by the City Council. The budget and approved appropriations lapse at the end of the fiscal year. The City does not maintain a formal encumbrance accounting system. The budgets are adopted on a functional basis. Expenditures may not legally exceed the budgeted amounts by function for these funds. The City Administrator may revise the budget to the extent that expenditures of a function are not altered by an amount in excess of \$5,000.

Any revisions that alter the total expenditures of the department/activity in excess of \$5,000 require approval by the Council.

Comparisons to budget are presented as required by GAAP for all governmental funds for which budgets were legally adopted. Budgets are adopted on a basis consistent with GAAP.

**NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS**

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

|  | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total Primary<br/>Government</u> | <u>Fiduciary<br/>Funds</u> | <u>Component<br/>Units</u> |
|--|------------------------------------|-------------------------------------|-------------------------------------|----------------------------|----------------------------|
| Cash and Equivalents -<br>Unrestricted | \$ 4,111,668                       | \$ 1,527,426                        | \$ 5,639,094                        | \$ -                       | \$ 559,815                 |
| Cash and Equivalents -<br>Restricted   | -                                  | 115,618                             | 115,618                             | -                          | -                          |
| Investments – Restricted               | <u>373,686</u>                     | <u>2,966</u>                        | <u>376,652</u>                      | <u>-</u>                   | <u>-</u>                   |
| Total                                  | <u>\$ 4,485,354</u>                | <u>\$ 1,646,010</u>                 | <u>\$ 6,131,364</u>                 | <u>\$ -</u>                | <u>\$ 559,815</u>          |

The breakdown between cash and investments is as follows:

|  | <u>Primary<br/>Government</u> | <u>Fiduciary<br/>Funds</u> | <u>Component<br/>Units</u> |
|--|-------------------------------|----------------------------|----------------------------|
| Bank Deposits (checking and savings<br>accounts, certificates of deposit and<br>money market accounts) | \$ 5,754,012                  | \$ -                       | \$ 559,615                 |
| Petty Cash and Cash on Hand  | 700                           | -                          | 200                        |
| Investments  | <u>376,652</u>                | <u>-</u>                   | <u>-</u>                   |
| Total  | <u>\$ 6,131,364</u>           | <u>\$ -</u>                | <u>\$ 559,815</u>          |

**NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS (Continued)**

*Interest Rate Risk.* State law limits the allowable investments and maturities of some of the allowable investments as identified above. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure of fair value losses arising from decreasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The City's investment policy does not have specific limits in excess of state law or investment credit risk. MI Class investments held by the City have a credit rating of AAAM.

*Custodial Credit Risk - Deposit.* Custodial deposit credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, \$6,495,940 of the City's bank balance of \$6,745,940 was exposed to credit risk because it was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, 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 and the City does not have a policy for investment custodial credit risk. The City's investment is in the Michigan CLASS pool, not the securities that make up the pool. Therefore, there is no custodial credit risk to be disclosed.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified above. The City's investment policy also does not have specific limits in concentration of credit risk. None of the investments held by the City exceeds five percent of the City's total investments.

*Fair Value Measurement.* The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the measurements required judgement and considers factors specific to each asset or liability.

The investment pools held by the City consist of Michigan CLASS investments. Such investments are measured at fair value in accordance with Paragraph 41 of Statement 79 and Paragraph 11 of Statement 31, and therefore are not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a (2) of Statement 72.

**NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS (Continued)**Statutory Authority:

Public Act 20 of 1943, entitled “An act relative to the investment of funds of public corporations of the state; and to validate certain investments,” by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers’ acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
  - (i) The purchase of securities on a when-issued or delayed delivery basis.
  - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
  - (iii) The limited ability to borrow and pledge a like portion of the portfolio’s assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds’ investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The City’s deposits and investment policy are in accordance with statutory authority.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the *primary government* for the current year was as follows:

|  | <u>Beginning<br/>Balances</u> | <u>Increases</u>    | <u>Adjustments/<br/>Decreases</u> | <u>Ending<br/>Balances</u> |
|--|-------------------------------|---------------------|-----------------------------------|----------------------------|
| <b>Governmental Activities:</b>              |                               |                     |                                   |                            |
| <i>Capital assets not being depreciated:</i> |                               |                     |                                   |                            |
| Land   | \$ 404,101                    | \$ -                | \$ (2,518)                        | \$ 401,583                 |
| Construction in Process                      | <u>21,540</u>                 | <u>9,541</u>        | <u>(21,540)</u>                   | <u>9,541</u>               |
| Subtotal                                     | <u>425,641</u>                | <u>9,541</u>        | <u>(24,058)</u>                   | <u>411,124</u>             |
| <i>Capital assets being depreciated:</i>     |                               |                     |                                   |                            |
| Land Improvements                            | 1,574,019                     | -                   | -                                 | 1,574,019                  |
| Buildings                                    | 822,339                       | -                   | -                                 | 822,339                    |
| Buildings and Improvements                   | 463,322                       | -                   | (8,763)                           | 454,559                    |
| Equipment and Vehicles                       | 1,541,118                     | 33,236              | (195,952)                         | 1,378,402                  |
| Infrastructure                               | <u>15,693,874</u>             | <u>-</u>            | <u>(550,192)</u>                  | <u>15,143,682</u>          |
| Subtotal                                     | <u>20,094,672</u>             | <u>33,236</u>       | <u>(754,907)</u>                  | <u>19,373,001</u>          |
| <i>Less accumulated depreciation for:</i>    |                               |                     |                                   |                            |
| Land Improvements                            | (1,068,308)                   | (77,688)            | -                                 | (1,145,996)                |
| Buildings                                    | (632,442)                     | (12,049)            | -                                 | (644,491)                  |
| Buildings and Improvements                   | (394,828)                     | (39,471)            | 1,460                             | (432,839)                  |
| Equipment and Vehicles                       | (1,199,594)                   | (75,579)            | 180,195                           | (1,094,978)                |
| Infrastructure                               | <u>(13,017,341)</u>           | <u>(155,215)</u>    | <u>55,099</u>                     | <u>(13,117,457)</u>        |
| Subtotal                                     | <u>(16,312,513)</u>           | <u>(360,002)</u>    | <u>236,754</u>                    | <u>(16,435,761)</u>        |
| Net Capital Assets Being Depreciated         | <u>3,782,159</u>              | <u>(326,766)</u>    | <u>(518,153)</u>                  | <u>2,937,240</u>           |
| Capital Assets – Net                         | <u>\$ 4,207,800</u>           | <u>\$ (317,225)</u> | <u>\$ (542,211)</u>               | <u>\$ 3,348,364</u>        |

Depreciation expense was charged to functions/programs of the governmental activities as follows:

**Governmental Activities**

|                        |               |
|------------------------|---------------|
| General Government     | \$ 5,205      |
| Public Safety          | 35,960        |
| Public Works           | 192,072       |
| Recreation and Culture | 59,642        |
| Internal Service       | <u>67,123</u> |

**Total Depreciation Expense -  
Governmental Activities**

\$ 360,002

NOTE 4 - CAPITAL ASSETS (Continued)

|  | <u>Beginning<br/>Balances</u> | <u>Increases</u>    | <u>Adjustments/<br/>Decreases</u> | <u>Ending<br/>Balances</u> |
|--|-------------------------------|---------------------|-----------------------------------|----------------------------|
| <b>Business-type Activities:</b>             |                               |                     |                                   |                            |
| <i>Capital assets not being depreciated:</i> |                               |                     |                                   |                            |
| Land   | \$ 48,184                     | \$ -                | \$ -                              | \$ 48,184                  |
| <i>Capital assets being depreciated:</i>     |                               |                     |                                   |                            |
| Land Improvements                            | 123,764                       | -                   | -                                 | 123,764                    |
| Building and System                          | 15,403,816                    | -                   | (18,965)                          | 15,384,851                 |
| Equipment and Vehicles                       | <u>774,752</u>                | <u>30,688</u>       | <u>-</u>                          | <u>805,440</u>             |
| Subtotal                                     | <u>16,302,332</u>             | <u>30,688</u>       | <u>(18,965)</u>                   | <u>16,314,055</u>          |
| <i>Less accumulated depreciation for:</i>    |                               |                     |                                   |                            |
| Land Improvements                            | (99,590)                      | (1,422)             | -                                 | (101,012)                  |
| Building and System                          | (9,879,631)                   | (223,213)           | 17,165                            | (10,085,679)               |
| Equipment and Vehicles                       | <u>(589,140)</u>              | <u>(39,011)</u>     | <u>(2,622)</u>                    | <u>(630,773)</u>           |
| Subtotal                                     | <u>(10,568,361)</u>           | <u>(263,646)</u>    | <u>14,543</u>                     | <u>(10,817,464)</u>        |
| Net Capital Assets Being Depreciated         | <u>5,733,971</u>              | <u>(232,958)</u>    | <u>(4,422)</u>                    | <u>5,496,591</u>           |
| Capital Assets – Net                         | <u>\$ 5,782,155</u>           | <u>\$ (232,958)</u> | <u>\$ (4,422)</u>                 | <u>\$ 5,544,775</u>        |

Depreciation expense was charged to functions/programs of the business-type activities as follows:

**Business-type Activities**

|         |              |
|---------|--------------|
| Water   | \$ 176,520   |
| Sewer   | 77,342       |
| Farmers | <u>9,784</u> |

**Total Depreciation Expense -  
Business-type Activities**

\$ 263,646

**NOTE 4 - CAPITAL ASSETS (Continued)**

Capital asset activity for the *discretely presented component units* for the current year was as follows:

|  | <u>Beginning<br/>Balances</u> | <u>Increases</u>   | <u>Adjustments/<br/>Decreases</u> | <u>Ending<br/>Balances</u> |
|--|-------------------------------|--------------------|-----------------------------------|----------------------------|
| <b>Downtown Development Authority:</b>       |                               |                    |                                   |                            |
| <i>Capital assets not being depreciated:</i> |                               |                    |                                   |                            |
| Land   | \$ 141,256                    | \$ -               | \$ -                              | \$ 141,256                 |
| <i>Capital assets being depreciated:</i>     |                               |                    |                                   |                            |
| Land Improvements                            | 153,089                       | -                  | -                                 | 153,089                    |
| Infrastructure                               | 409,378                       | -                  | -                                 | 409,378                    |
| Buildings                                    | 6,451                         | -                  | -                                 | 6,451                      |
| Equipment and Vehicles                       | <u>168,909</u>                | <u>-</u>           | <u>(5,400)</u>                    | <u>163,509</u>             |
| Subtotal                                     | <u>737,827</u>                | <u>-</u>           | <u>(5,400)</u>                    | <u>732,427</u>             |
| <i>Less accumulated depreciation:</i>        |                               |                    |                                   |                            |
| Land Improvements                            | (80,650)                      | (7,654)            | -                                 | (88,304)                   |
| Infrastructure                               | (220,071)                     | (19,537)           | -                                 | (239,608)                  |
| Buildings                                    | (3,040)                       | (323)              | -                                 | (3,363)                    |
| Equipment and Vehicles                       | <u>(147,502)</u>              | <u>(7,646)</u>     | <u>10,914</u>                     | <u>(144,234)</u>           |
| Subtotal                                     | <u>(451,263)</u>              | <u>(35,160)</u>    | <u>10,914</u>                     | <u>(475,509)</u>           |
| Net Capital Assets Being Depreciated         | <u>286,564</u>                | <u>(35,160)</u>    | <u>5,514</u>                      | <u>256,918</u>             |
| Capital Assets - Net                         | <u>\$ 427,820</u>             | <u>\$ (35,160)</u> | <u>\$ 5,514</u>                   | <u>\$ 398,174</u>          |

Depreciation expense for the year ended June 30, 2022 was \$35,160.

## NOTE 4 - CAPITAL ASSETS (Continued)

|  | <u>Beginning<br/>Balances</u> | <u>Increases</u> | <u>Adjustments/<br/>Decreases</u> | <u>Ending<br/>Balances</u> |
|--|-------------------------------|------------------|-----------------------------------|----------------------------|
| <b>Gladwin Zettel Memorial Airport:</b>      |                               |                  |                                   |                            |
| <i>Capital assets not being depreciated:</i> |                               |                  |                                   |                            |
| Land   | \$ 57,000                     | \$ -             | \$ -                              | \$ 57,000                  |
| <i>Capital assets being depreciated:</i>     |                               |                  |                                   |                            |
| Land Improvements                            | 1,749,721                     | -                | -                                 | 1,749,721                  |
| Buildings                                    | 1,440,861                     | -                | -                                 | 1,440,861                  |
| Equipment and Vehicles                       | 131,818                       | -                | 27,299                            | 159,117                    |
| Subtotal                                     | 3,322,400                     | -                | 27,299                            | 3,349,699                  |
| <i>Less accumulated depreciation:</i>        |                               |                  |                                   |                            |
| Land Improvements                            | (868,789)                     | (58,324)         | -                                 | (927,113)                  |
| Buildings                                    | (337,089)                     | (48,029)         | (11,386)                          | (396,504)                  |
| Equipment and Vehicles                       | (109,398)                     | (6,860)          | (27,299)                          | (143,557)                  |
| Subtotal                                     | (1,315,276)                   | (113,213)        | (38,685)                          | (1,467,174)                |
| Net Capital Assets Being Depreciated         | 2,007,124                     | (113,213)        | (11,386)                          | 1,882,525                  |
| <i>Intangible right-to-use assets:</i>       |                               |                  |                                   |                            |
| Leased Equipment                             | \$ -                          | 11,151           | -                                 | 11,151                     |
| Less accumulated amortization                | -                             | (3,407)          | -                                 | (3,407)                    |
| Net Intangible Right-to-Use Assets           | -                             | 7,744            | -                                 | 7,744                      |
| Capital Assets - Net                         | \$ 2,064,124                  | \$ (105,469)     | \$ (11,386)                       | \$ 1,947,269               |

Depreciation and amortization expense for the year ended June 30, 2022 was \$113,213 and \$3,407, respectively.

**NOTE 5 - INTERFUND TRANSFERS**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

|              |                       | TRANSFERS (OUT) |              |                       |            |           |                  |            |
|--------------|-----------------------|-----------------|--------------|-----------------------|------------|-----------|------------------|------------|
| TRANSFERS IN |                       | General         | Major Street | Nonmajor Governmental | Sewer      | Water     | Internal Service | Total      |
|              | General               | \$ -            | \$ -         | \$ 10,500             | \$ 30,000  | \$ 18,000 | \$ 7,000         | \$ 65,500  |
|              | Major Streets         | -               | -            | 25,000                | -          | -         | -                | 25,000     |
|              | Local Streets         | -               | 100,000      | 80,000                | 72,500     | 62,500    | -                | 315,000    |
|              | Nonmajor Governmental | -               | -            | -                     | 95,620     | -         | -                | 95,620     |
|              | Water                 | 10,000          | -            | -                     | -          | -         | -                | 10,000     |
|              | Nonmajor Enterprise   | 3,700           | -            | -                     | -          | -         | -                | 3,700      |
|              | Internal Service      | 30,000          | -            | -                     | -          | -         | -                | 30,000     |
|              | Total                 | \$ 43,700       | \$ 100,000   | \$ 115,500            | \$ 198,120 | \$ 80,500 | \$ 7,000         | \$ 544,820 |

**NOTE 6 - LONG-TERM DEBT**

**Primary Government**

The City issues general obligation and revenue bonds to provide funds for the acquisition and/or construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

|  | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|--|-------------------|-----------|-----------|----------------|---------------------|
| <b>Governmental Activities</b>   |                   |           |           |                |                     |
| <b>General Obligation Bonds:</b>   |                   |           |           |                |                     |
| \$1,250,000 2004 Sewer Improvement Bonds due in annual installments of \$40,000 to \$95,000 through 2025, interest of 2.5% to 5.1% | \$ 350,000        | \$ -      | \$ 80,000 | \$ 270,000     | \$ 85,000           |
| \$142,000 2012 Police Renovation Bonds due in annual installments of \$7,000 to \$12,000 through 2027, interest of 3.75%           | 67,000            | -         | 10,000    | 57,000         | 10,000              |

NOTE 6 - LONG-TERM DEBT (Continued)

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>  | <u>Decreases</u>  | <u>Ending<br/>Balance</u> | <u>Due<br/>Within<br/>One Year</u> |
|--|------------------------------|-------------------|-------------------|---------------------------|------------------------------------|
| <b>Governmental Activities (Continued)</b>   |                              |                   |                   |                           |                                    |
| <b>General Obligation Bonds:</b>   |                              |                   |                   |                           |                                    |
| \$82,632 2012 Police Renovation Bonds<br>due in annual installments of \$4,000<br>to \$7,000 through 2027, interest of<br>3.75%                              | 39,000                       | -                 | 6,000             | 33,000                    | 6,000                              |
| <b>Installment Note:</b>   |                              |                   |                   |                           |                                    |
| \$30,000 note payable for the purchase<br>of a backhoe by the equipment fund<br>due in annual installments of \$2,000<br>through 2029, interest rate of 3.5% | 16,000                       | -                 | 2,000             | 14,000                    | 2,000                              |
| Vested Employee Benefits   | <u>72,436</u>                | <u>89,771</u>     | <u>73,544</u>     | <u>88,663</u>             | <u>-</u>                           |
| Total Governmental Long-term Debt  | <u>544,436</u>               | <u>89,771</u>     | <u>171,544</u>    | <u>462,663</u>            | <u>103,000</u>                     |
| <b>Business-type Activities</b>  |                              |                   |                   |                           |                                    |
| <b>Revenue Bonds:</b>  |                              |                   |                   |                           |                                    |
| \$1,645,000 2010 Water Supply Bond<br>due in annual payments of \$37,000<br>to \$65,000 through 2030, interest<br>at 2.5%                                    | 552,991                      | -                 | 50,000            | 502,991                   | 50,000                             |
| \$355,946 2019 Water Supply Bond<br>due in annual payments of \$13,000<br>to \$39,000 through 2059, interest<br>at 2.75%                                     | 910,000                      | -                 | 14,000            | 896,000                   | 14,000                             |
| Vested Employee Benefits   | <u>20,004</u>                | <u>15,443</u>     | <u>21,806</u>     | <u>13,641</u>             | <u>6,717</u>                       |
| Total Business-type Long-term Debt   | <u>1,482,995</u>             | <u>15,443</u>     | <u>85,806</u>     | <u>1,412,632</u>          | <u>70,717</u>                      |
| <b>Total Long-Term Debt</b>  | <u>\$ 2,027,431</u>          | <u>\$ 105,214</u> | <u>\$ 257,350</u> | <u>\$ 1,875,295</u>       | <u>\$ 173,717</u>                  |

**NOTE 6 - LONG-TERM DEBT (Continued)**

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

|               | Governmental Activities        |                  | Business-type Activities |                   |
|---------------|--------------------------------|------------------|--------------------------|-------------------|
|               | Bonds/Installment Note Payable |                  | Bonds Payable            |                   |
|               | Principal                      | Interest         | Principal                | Interest          |
| Fiscal:       |                                |                  |                          |                   |
| 2023          | \$ 103,000                     | \$ 15,381        | \$ 64,000                | \$ 36,589         |
| 2024          | 109,000                        | 10,315           | 65,000                   | 34,954            |
| 2025          | 116,000                        | 4,911            | 70,000                   | 33,230            |
| 2026          | 46,000                         | 2,839            | 70,000                   | 31,442            |
| 2027          | -                              | -                | 71,000                   | 29,655            |
| 2028-2032     | -                              | -                | 323,991                  | 120,492           |
| 2033-2037     | -                              | -                | 99,000                   | 95,755            |
| 2038-2042     | -                              | -                | 113,000                  | 81,428            |
| 2043-2047     | -                              | -                | 129,000                  | 65,038            |
| 2048-2052     | -                              | -                | 148,000                  | 46,228            |
| 2053-2057     | -                              | -                | 170,000                  | 24,750            |
| 2058-2059     | -                              | -                | 76,000                   | 3,163             |
| <b>TOTALS</b> | <b>\$ 374,000</b>              | <b>\$ 33,446</b> | <b>\$ 1,398,991</b>      | <b>\$ 602,724</b> |

In the governmental activities, vested benefits payable is liquidated by the General Fund. In the business-type activities the liability for vested benefits payable is liquidated by the Sewer or Water funds. The liability for vested benefits payable is considered to be due within one year for both the governmental and business-type activities due to the fact that the employees typically use more sick and vacation hours in any year than are remaining from the previous year.

In the governmental activities, net pension liability is liquidated by the General Fund.

Current and Prior Year Defeasance of Debt

On February 24, 2016, the City defeased its' Ice Arena Revenue Bonds, from the sale of the Ice Arena in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The balance of the defeased Ice Arena Revenue Bonds outstanding as of June 30, 2022, was \$595,000.

On July 26, 2007, the City defeased the 1996 Water and Sewer general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The balance of the defeased debt outstanding as of June 30, 2022, was \$120,000. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$275,000. The refunding resulted in an economic gain of \$271,872.

**NOTE 7 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in a public entity risk (insurance) pool with other local units of government in the Michigan Municipal Liability and Property Pool. This self-insurance plan provides members with loss protection for property damage and general liability.

The City made contributions of \$62,878 to the self-insurance plan for the year ended June 30, 2022.

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.

**NOTE 8 - LEASES**

**Gladwin Zettel Memorial Airport:** \$7,744 has been recorded as intangible right to use lease in the Airport Fund capital assets. Due to the implementation of GASB Statement No. 87, this lease for a John Deere Tractor met the criteria of a lease; thus, requiring it to be recorded by the Airport. This asset will be amortized over the lease term of three years since it is shorter than the useful life and the Airport is not taking ownership of the truck. There are no residual value guarantees in the lease provisions. The lease will end in 2024. A summary of the principal and interest amounts for the remaining lease is as follows:

| Year | Principal | Interest |
|------|-----------|----------|
| 2023 | \$ 5,870  | \$ 390   |
| 2024 | 5,870     | 199      |

**NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

The City participates in three pension plans: the Michigan Municipal Employees Retirement System (MERS), a State of Michigan administered agent multi-employer defined benefit public retirement system that acts as a common investment and administrative agent for virtually all Michigan municipal employees; and a defined contribution system through the Steelworkers Pension Program and ICMA Retirement Corporation (ICMA-RC).

**Defined Contribution Pension Plans**

The City has established various defined contribution pension plans under Section 401(a) of the Internal Revenue Service Code. The plans cover all full-time City employees (except the City Administrator and Police Chief or those covered by the MERS Plan) who have passed their twenty-first birthday and have been employed by the City for more than one year. For the year ended June 30, 2022, the cost to the City was \$36,468 and contributions from covered employees were \$33,655.

**NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

The City's policy is to fund accrued pension costs representing approximately 8% of the annual salaries of covered employees. Covered employees contribute an additional 3% of their salaries. Benefits accrue in each employee's individual account. These amounts are not available to the general creditors of the City; therefore, these assets are not reported in the City's financial statements. Plan provisions and contribution requirements are established and may be amended by the Council. These plans and deviations from the above general policy are summarized as follows:

Beginning in 2002 the City established a defined contribution pension plan for the Chief of Police, Police Officers and City Administrator with MERS. The defined contribution is defined by MERS for each fiscal year, for the current fiscal year the City contributes 15.27% of gross wages and the employee, with the exclusion of the City Administrator, contributes 4.95% of gross wages to the plan. The City contributes the 4.95% of gross wages on behalf of the City Administrator. Benefits accrue in each employee's individual accounts.

Beginning in 2002, the City established a defined contribution pension for existing employees not covered by other plans. The City contributes 8% of gross wages to the ICMA-RC. Employees contribute 3% of gross wages to the plan. Benefits accrue in each employee's individual account.

**Defined Benefit Pension Plan**Description of Plan and Plan Assets

The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.25% to 2.5% (depending on division) times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2021.

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 accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com). The employees included in this plan are the Police and Administrative office personnel.

**NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

*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's contribution rate for its fiscal year beginning July 1, 2021 was 25.84% of annual covered payroll for police and administrative employees only. These rates equated to a total minimum monthly contribution of \$7,530. Starting July 1, 2022, the contribution rate will be 28.78% of annual covered payroll for police and administrative employees only. The City's total contributions to the plan for the year ended June 30, 2022 were \$106,193, of which \$5,312 was paid towards its unfunded liability in addition to its required contribution.

The City may establish contribution rates to be paid by its covered employees. General employees are required to contribute 3% of their annual covered payroll; police and administrative employees contribute 4.95%. Employee contributions for the year ended June 30, 2022 were \$24,408.

*Benefit Provisions.* The chart below summarizes the benefit provisions for each of the City's two covered groups

**01 – New General Admin: Open Division**

|                                      | <b>2021 Valuation</b>      |
|--------------------------------------|----------------------------|
| <b>Benefit Multiplier:</b>           | 2.25% Multiplier (80% max) |
| <b>Normal Retirement Age:</b>        | 60                         |
| <b>Vesting:</b>                      | 10 Years                   |
| <b>Early Retirement (Unreduced):</b> | 55/25                      |
| <b>Early Retirement (Reduced):</b>   | 50/25                      |
|                                      | 55/15                      |
| <b>Final Average Compensation:</b>   | 3 years                    |
| <b>Employee Contributions</b>        | 3%                         |
| <b>Act 88:</b>                       | Yes (Adopted 11/4/2002)    |

**02 – Police & Admin: Open Division**

|                                      | <b>2021 Valuation</b>      |
|--------------------------------------|----------------------------|
| <b>Benefit Multiplier:</b>           | 2.50% Multiplier (80% max) |
| <b>Normal Retirement Age:</b>        | 60                         |
| <b>Vesting:</b>                      | 10 Years                   |
| <b>Early Retirement (Unreduced):</b> | 50/25                      |
| <b>Early Retirement (Reduced):</b>   | 55/15                      |
| <b>Final Average Compensation:</b>   | 3 years                    |
| <b>COLA for Future Years</b>         | 2.5% (Non-Compound)        |
| <b>Employee Contributions</b>        | 4.95%                      |
| <b>Act 88:</b>                       | Yes (Adopted 11/4/2002)    |

Employees Covered by Benefit Terms

At December 31, 2021, the following employees were covered by the benefit terms:

|   |          |
|---|----------|
| Inactive employees or beneficiaries currently receiving benefits                  | 4        |
| Inactive employees entitled to but not yet receiving benefits (including refunds) | 3        |
| Active employees  | 9        |
|   | <hr/> 16 |

**NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**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 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.50%   |
| Salary increases          | 3.00% in the long-term  |
| Investment rate of return | 7.00% net of investment and administrative expense, including inflation |

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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 Real Rate of Return |
|---------------------|-------------------|--|
| Global Equity       | 60.0%             | 2.70%                                  |
| Global Fixed Income | 20.0%             | 0.40%                                  |
| Private Investments | 20.0%             | 1.40%                                  |

*Discount Rate.* The discount rate used to measure the total pension liability is 7.25% 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.

**NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

**Changes in the Net Pension Liability:**

|   | Increases (Decreases)          |                                    |                              |
|---|--------------------------------|------------------------------------|------------------------------|
|   | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
| <b>Balances at December 31, 2020</b>              | \$ 2,411,416                   | \$ 2,006,769                       | \$ 404,647                   |
| Service cost                                      | 91,081                         | -                                  | 91,081                       |
| Interest on total pension liability               | 182,725                        | -                                  | 182,725                      |
| Difference between expected and actual experience | 37,139                         | -                                  | 37,139                       |
| Changes in assumptions                            | 117,521                        | -                                  | 117,521                      |
| Employer contributions                            | -                              | 106,193                            | (106,193)                    |
| Employee contributions                            | -                              | 22,909                             | (22,909)                     |
| Net investment income                             | -                              | 285,390                            | (285,390)                    |
| Benefit payments, including employee refunds      | (105,371)                      | (105,371)                          | -                            |
| Administrative expense                            | -                              | (3,275)                            | 3,275                        |
| Other changes                                     | (1)                            | -                                  | (1)                          |
| <b>Net changes</b>                                | <u>323,094</u>                 | <u>305,846</u>                     | <u>17,248</u>                |
| <b>Balances as of December 31, 2021</b>           | <u>\$ 2,734,510</u>            | <u>\$ 2,312,615</u>                | <u>\$ 421,895</u>            |

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the City, calculated using the discount rate of 7.25% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

|                              | <b>1% Decrease<br/>(6.25%)</b> | <b>Current Discount Rate<br/>(7.25%)</b> | <b>1% Increase<br/>(8.25%)</b> |
|------------------------------|--------------------------------|--|--------------------------------|
| City's net pension liability | \$807,145                      | \$421,895                                | \$105,965                      |

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report.

*Significant changes from the previous actuarial valuation.* Rate of return assumption changed 7.35% to 7.00%, net of expenses.

**NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

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

For the year ended June 30, 2022, the City recognized pension expense of \$132,422. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Difference between expected<br>and actual experiences                               | \$ 72,736                                     | \$ 25,511                                    |
| Changes of assumptions  | 177,731                                       | -  |
| Net difference between projected and actual<br>earnings on pension plan investments | -   | 166,661                                      |
| Contributions subsequent to the measurement date                                    | 61,139  | -  |
| Total   | <u>\$ 311,606</u>                             | <u>\$ 192,172</u>                            |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date of \$61,139, which will impact the net pension liability in fiscal year 2023, rather than pension expense:

Year Ended June 30:

|       |                  |
|-------|------------------|
| 2023  | \$ 37,942        |
| 2024  | (2,097)          |
| 2025  | 17,938           |
| 2026  | 4,512            |
| Total | <u>\$ 58,295</u> |

**NOTE 10 - JOINT VENTURE – FIRE PROTECTION DISTRICT**

The City is a member of the Gladwin Rural Urban Fire Protection District (the “District”). The District was established January 1, 1973 for the purpose of providing fire protection to its member local governments: the City and the Townships of Buckeye, Gladwin, Grout, Hay, Sage, and Sherman, located in Gladwin County. The City and Townships each appoint two members to the District’s governing Board; this Board determines and approves the annual budget.

Approximately 79% of the District’s operating revenue comes from special assessments generated by the participating governments. The City’s proportionate share of these assessments, accounts for approximately 16.65% of the District’s municipal assessment revenue. The following is a summary of the entity-wide financial information for the District as of December 31, 2021 (latest available audited financial statements).

**NOTE 10 - JOINT VENTURE – FIRE PROTECTION DISTRICT (Continued)**

|                              |                    |
|------------------------------|--------------------|
| Total assets                 | \$ 1,070,722       |
| Total liabilities            | <u>169,827</u>     |
| Total net position           | <u>\$ 900,895</u>  |
| Revenues                     | \$ 436,911         |
| Expenses                     | <u>451,155</u>     |
| Net decrease in net position | <u>\$ (14,244)</u> |

The City's share of total assets and total net position is unknown. Audited financial statements of the District are available upon written request at City Hall.

**NOTE 11 - CONTINGENCIES**

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.

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.

**NOTE 12 - WATER FUND – RESTRICTED CASH**

|  | June 30, 2022       |                   |
|--|---------------------|-------------------|
|  | Required<br>Balance | Actual<br>Balance |
| <b>Bond Redemption and Interest Redemption</b> |                     |                   |
| Water Supply System Revenue Bond Series 2021   | <u>\$ 15,948</u>    | <u>\$ 18,000</u>  |
| <b>Bond Reserves</b>                           |                     |                   |
| Water Supply System Revenue Bond Series 2021   | <u>\$ 13,667</u>    | <u>\$ 16,004</u>  |
| <b>Repair, Replacement and Improvements</b>    |                     |                   |
| Water Supply System Revenue Bond Series 2021   | <u>\$ 77,400</u>    | <u>\$ 81,614</u>  |

**NOTE 13 - EXCESS EXPENDITURES OVER APPROPRIATIONS:**

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City's actual expenditures were in excess of amounts appropriated as follows:

|                     | <u>Total<br/>Appropriations</u> | <u>Amount of<br/>Expenditures</u> | <u>Budget<br/>Variance</u> |
|---------------------|---------------------------------|-----------------------------------|----------------------------|
| Local Streets Fund: |                                 |                                   |                            |
| Public Works        | \$ 75,641                       | \$ 94,471                         | \$ (18,830)                |

**NOTE 14 - CHANGES IN ACCOUNTING PRINCIPLES**

For 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City's 2022 financial statements and had no effect on the beginning net position. The City recognized \$7,744 in net book value for the intangible right to use and a lease liability of \$11,151 for a piece of equipment leased in July 2021 and held in the Airport fund, which is a component unit of the City.

## **Required Supplementary Information**

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**Required Supplementary Information**  
**Defined Benefit Pension Plan (MERS)**  
**Schedule of Changes in the Employer's Net Position Liability and Related Ratios**  
**For the Year Ended December 31**

|   | 2021                | 2020                | 2019                | 2018                | 2017                | 2016                | 2015                |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total pension liability</b>  |                     |                     |                     |                     |                     |                     |                     |
| Service cost  | \$ 91,081           | \$ 63,631           | \$ 64,870           | \$ 60,396           | \$ 71,528           | \$ 68,119           | \$ 64,217           |
| Interest  | 182,725             | 177,100             | 147,347             | 144,182             | 129,117             | 114,370             | 98,466              |
| Difference between expected<br>and actual experience                                  | 37,139              | (35,703)            | 75,350              | (20,454)            | 15,377              | 19,506              | (2,605)             |
| Change in assumptions   | 117,521             | 70,751              | 82,525              | -                   | -                   | -                   | 60,796              |
| Benefit payments, including<br>refund of member contributions                         | (105,371)           | (103,306)           | (74,795)            | (24,928)            | (19,359)            | (19,359)            | (34,831)            |
| Other   | (1)                 | (7,852)             | 7,756               | -                   | -                   | -                   | 3,077               |
| <b>Net change in total pension liability</b>  | 323,094             | 164,621             | 303,053             | 159,196             | 196,663             | 182,636             | 189,120             |
| <b>Total pension liability - beginning</b>  | 2,411,416           | 2,246,795           | 1,943,742           | 1,784,546           | 1,587,883           | 1,405,247           | 1,216,127           |
| <b>Total pension liability - ending</b>   | <u>\$ 2,734,510</u> | <u>\$ 2,411,416</u> | <u>\$ 2,246,795</u> | <u>\$ 1,943,742</u> | <u>\$ 1,784,546</u> | <u>\$ 1,587,883</u> | <u>\$ 1,405,247</u> |
| <b>Plan fiduciary net position</b>  |                     |                     |                     |                     |                     |                     |                     |
| Contributions - employer  | \$ 106,193          | \$ 75,800           | \$ 65,707           | \$ 59,060           | \$ 62,006           | \$ 56,290           | \$ 56,488           |
| Contributions - employee  | 22,909              | 18,981              | 18,869              | 18,499              | 20,245              | 19,305              | 18,552              |
| Net investment income   | 285,390             | 230,505             | 215,535             | (65,319)            | 183,121             | 135,462             | (17,468)            |
| Benefit payments, including<br>refunds of member contributions                        | (105,371)           | (103,306)           | (74,795)            | (24,928)            | (19,359)            | (19,359)            | (34,831)            |
| Administrative expense  | (3,275)             | (3,613)             | (3,719)             | (3,150)             | (2,886)             | (2,668)             | (2,539)             |
| <b>Net change in plan fiduciary net position</b>                                      | 305,846             | 218,367             | 221,597             | (15,838)            | 243,127             | 189,030             | 20,202              |
| <b>Plan fiduciary net position - beginning</b>  | 2,006,769           | 1,788,402           | 1,566,805           | 1,582,643           | 1,339,516           | 1,150,486           | 1,130,284           |
| <b>Plan fiduciary net position - ending</b>   | <u>\$ 2,312,615</u> | <u>\$ 2,006,769</u> | <u>\$ 1,788,402</u> | <u>\$ 1,566,805</u> | <u>\$ 1,582,643</u> | <u>\$ 1,339,516</u> | <u>\$ 1,150,486</u> |
| <b>City's net pension liability - ending</b>  | <u>\$ 421,895</u>   | <u>\$ 404,647</u>   | <u>\$ 458,393</u>   | <u>\$ 376,937</u>   | <u>\$ 201,903</u>   | <u>\$ 248,367</u>   | <u>\$ 254,761</u>   |
| <b>Plan fiduciary net position as a<br/>percentage of the total pension liability</b> | 85%                 | 83%                 | 80%                 | 81%                 | 89%                 | 84%                 | 82%                 |
| <b>Covered payroll</b>  | \$ 507,897          | \$ 389,438          | \$ 396,879          | \$ 388,985          | \$ 463,041          | \$ 441,403          | \$ 424,911          |
| <b>City's net pension liability as a<br/>percentage of covered payroll</b>            | 83%                 | 104%                | 115%                | 97%                 | 44%                 | 56%                 | 60%                 |

**Required Supplementary Information  
Defined Benefit Pension Plan (MERS)  
Schedule of Employer's Contributions  
For the Year Ended June 30**

|   | 2022       | 2021       | 2020       | 2019       | 2018       | 2017       | 2016       | 2015       | 2014       | 2013       |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Actuarially determined contribution                                     | \$ 100,881 | \$ 73,612  | \$ 61,528  | \$ 59,060  | \$ 62,006  | \$ 56,290  | \$ 48,300  | \$ 47,256  | \$ 48,130  | \$ 42,455  |
| Contributions in relation to the<br>actuarially determined contribution | 106,193    | 75,800     | 65,707     | 59,060     | 62,006     | 56,290     | 48,300     | 47,256     | 48,130     | 42,455     |
| Contribution deficiency (excess)  | \$ (5,312) | \$ (2,188) | \$ (4,179) | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |
| Covered payroll   | \$ 526,906 | \$ 462,925 | \$ 396,879 | \$ 388,985 | \$ 463,041 | \$ 441,403 | \$ 424,911 | \$ 412,300 | \$ 412,300 | \$ 316,574 |
| Contributions as a percentage of covered payroll                        | 20%        | 16%        | 17%        | 15%        | 13%        | 13%        | 11%        | 11%        | 12%        | 13%        |

**Notes to Schedule:**

Actuarially determined contribution rates are calculated as of December 31st, two years prior to the end of the fiscal year in which contributions are reported.

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

|                               |   |
|-------------------------------|---|
| Actuarial cost method         | Entry age   |
| Amortization method           | Level percentage of payroll, closed   |
| Remaining amortization period | 17 years  |
| Asset valuation method        | 5-years smoothed market   |
| Inflation                     | 2.50%   |
| Salary increases              | 3.00% plus merit and longevity  |
| Investment rate of return     | 7.00%   |
| Retirement age                | In the 2019 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience. |
| Mortality                     | Pub-2010 and fully generational MP-2019   |

*Significant Changes from the Previous Actuarial Valuation:*

Investment rate of return changes from 7.35% to 7.00%.

Discount rate changes from 7.60% to 7.25%

## **Supplementary Information**

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## **Special Revenue Funds**

### **City Streets Fund**

This fund is funded by property taxes to be used for maintenance for City Streets.

### **Liquor Law Enforcement Fund**

This fund is funded by state revenues and is used for enforcement of liquor laws.

### **Drug Law Enforcement Fund**

This fund is funded by forfeitures and is used for enforcement of drug laws.

### **Public Safety Fund**

This fund is funded by property taxes to be used for wages, training, equipment, and other expenses of the police department.

### **Mosquito Control Fund**

This fund is funded by special assessment revenue to be used for mosquito control.

## **Capital Project Fund**

The Iron Removal Plant Fund was established to account for financial resources restricted for the capital outlay expenditures associated with the iron removal plant project.

## **Debt Service Funds**

The County DPW Lease and 2004 Sewer Improvement Debt Funds were established to accumulate resources for the payment of the general obligation debt issued to fund water and sewer improvements.

## **Permanent Fund**

The Cemetery Trust Fund is used to account for investment principal and related interest income amounts reserved for maintenance of the community cemetery.

**Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2022**

|  | Special Revenue Funds    |                           |                            |                          |                        | Capital<br>Projects     | Debt Service Funds      |                              | Permanent<br>Fund             |                          |
|--|--------------------------|---------------------------|----------------------------|--------------------------|------------------------|-------------------------|-------------------------|------------------------------|-------------------------------|--------------------------|
|  | City<br>Streets          | Liquor Law<br>Enforcement | Drug<br>Law<br>Enforcement | Public<br>Safety         | Mosquito<br>Control    | Iron Removal<br>Plant   | County<br>DPW<br>Lease  | 2004<br>Sewer<br>Improvement | Cemetery<br>Perpetual<br>Care | Totals                   |
| <b>ASSETS:</b>                                 |                          |                           |                            |                          |                        |                         |                         |                              |                               |                          |
| Cash and Equivalents                           | \$ 211,799               | \$ 7,510                  | \$ 130,815                 | \$ 139,130               | \$ 1,000               | \$ 65,296               | \$ 97,725               | \$ -                         | \$ 223,480                    | \$ 876,755               |
| Accounts Receivable                            | -                        | -                         | -                          | -                        | -                      | -                       | -                       | -                            | -                             | -                        |
| <b>TOTAL ASSETS</b>                            | <u><u>\$ 211,799</u></u> | <u><u>\$ 7,510</u></u>    | <u><u>\$ 130,815</u></u>   | <u><u>\$ 139,130</u></u> | <u><u>\$ 1,000</u></u> | <u><u>\$ 65,296</u></u> | <u><u>\$ 97,725</u></u> | <u><u>\$ -</u></u>           | <u><u>\$ 223,480</u></u>      | <u><u>\$ 876,755</u></u> |
| <b>LIABILITIES:</b>                            |                          |                           |                            |                          |                        |                         |                         |                              |                               |                          |
| Accrued Liabilities                            | \$ -                     | \$ -                      | \$ -                       | \$ 3,477                 | \$ 1,000               | \$ -                    | \$ -                    | \$ -                         | \$ -                          | \$ 4,477                 |
| <b>TOTAL LIABILITIES</b>                       | <u>-</u>                 | <u>-</u>                  | <u>-</u>                   | <u>3,477</u>             | <u>1,000</u>           | <u>-</u>                | <u>-</u>                | <u>-</u>                     | <u>-</u>                      | <u>4,477</u>             |
| <b>FUND BALANCES:</b>                          |                          |                           |                            |                          |                        |                         |                         |                              |                               |                          |
| Nonspendable                                   | -                        | -                         | -                          | -                        | -                      | -                       | -                       | -                            | 223,480                       | 223,480                  |
| Restricted                                     | 211,799                  | 7,510                     | 130,815                    | 135,653                  | -                      | 65,296                  | 97,725                  | -                            | -                             | 648,798                  |
| <b>TOTAL FUND BALANCES</b>                     | <u>211,799</u>           | <u>7,510</u>              | <u>130,815</u>             | <u>135,653</u>           | <u>-</u>               | <u>65,296</u>           | <u>97,725</u>           | <u>-</u>                     | <u>223,480</u>                | <u>872,278</u>           |
| <b>TOTAL LIABILITIES<br/>AND FUND BALANCES</b> | <u><u>\$ 211,799</u></u> | <u><u>\$ 7,510</u></u>    | <u><u>\$ 130,815</u></u>   | <u><u>\$ 139,130</u></u> | <u><u>\$ 1,000</u></u> | <u><u>\$ 65,296</u></u> | <u><u>\$ 97,725</u></u> | <u><u>\$ -</u></u>           | <u><u>\$ 223,480</u></u>      | <u><u>\$ 876,755</u></u> |

**Supplementary Information**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance - Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2022**

|   | Special Revenue Funds |                           |                            |                   |                     | Capital<br>Projects   | Debt Service Funds     |                              | Permanent<br>Fund             |                   |
|---|-----------------------|---------------------------|----------------------------|-------------------|---------------------|-----------------------|------------------------|------------------------------|-------------------------------|-------------------|
|   | City<br>Streets       | Liquor Law<br>Enforcement | Drug<br>Law<br>Enforcement | Public<br>Safety  | Mosquito<br>Control | Iron Removal<br>Plant | County<br>DPW<br>Lease | 2004<br>Sewer<br>Improvement | Cemetery<br>Perpetual<br>Care | Totals            |
| <b>REVENUES:</b>                            |                       |                           |                            |                   |                     |                       |                        |                              |                               |                   |
| Taxes                                       | \$ 118,594            | \$ -                      | \$ -                       | \$ 133,897        | \$ -                | \$ -                  | \$ 5                   | \$ -                         | \$ -                          | \$ 252,496        |
| Federal Sources                             | -                     | -                         | -                          | -                 | -                   | 2,500                 | -                      | -                            | -                             | 2,500             |
| State Sources                               | -                     | 5,292                     | -                          | 1,982             | -                   | -                     | 1,893                  | -                            | -                             | 9,167             |
| Charges for Services                        | -                     | -                         | -                          | -                 | -                   | -                     | -                      | -                            | -                             | -                 |
| Other Revenues                              | -                     | -                         | 42,800                     | -                 | -                   | -                     | -                      | -                            | 9,200                         | 52,000            |
| Interest and Rents                          | 54                    | 2                         | 33                         | 30                | -                   | 16                    | 23                     | -                            | 122                           | 280               |
| <b>TOTAL REVENUES</b>                       | <b>118,648</b>        | <b>5,294</b>              | <b>42,833</b>              | <b>135,909</b>    | <b>-</b>            | <b>2,516</b>          | <b>1,921</b>           | <b>-</b>                     | <b>9,322</b>                  | <b>316,443</b>    |
| <b>EXPENDITURES:</b>                        |                       |                           |                            |                   |                     |                       |                        |                              |                               |                   |
| Public Safety                               | -                     | -                         | 56,249                     | 101,923           | -                   | -                     | -                      | -                            | -                             | 158,172           |
| Public Works                                | -                     | -                         | -                          | -                 | -                   | 2,500                 | -                      | -                            | -                             | 2,500             |
| Debt Service                                | -                     | -                         | -                          | -                 | -                   | -                     | -                      | 95,620                       | -                             | 95,620            |
| <b>TOTAL EXPENDITURES</b>                   | <b>-</b>              | <b>-</b>                  | <b>56,249</b>              | <b>101,923</b>    | <b>-</b>            | <b>2,500</b>          | <b>-</b>               | <b>95,620</b>                | <b>-</b>                      | <b>256,292</b>    |
| <b>EXCESS OF REVENUES OVER (UNDER)</b>      |                       |                           |                            |                   |                     |                       |                        |                              |                               |                   |
| <b>EXPENDITURES BEFORE OTHER</b>            |                       |                           |                            |                   |                     |                       |                        |                              |                               |                   |
| <b>FINANCING SOURCES (USES)</b>             | <b>118,648</b>        | <b>5,294</b>              | <b>(13,416)</b>            | <b>33,986</b>     | <b>-</b>            | <b>16</b>             | <b>1,921</b>           | <b>(95,620)</b>              | <b>9,322</b>                  | <b>60,151</b>     |
| <b>OTHER FINANCING SOURCES (USES):</b>      |                       |                           |                            |                   |                     |                       |                        |                              |                               |                   |
| Transfers In                                | -                     | -                         | -                          | -                 | -                   | -                     | -                      | 95,620                       | -                             | 95,620            |
| Transfers Out                               | (115,500)             | -                         | -                          | -                 | -                   | -                     | -                      | -                            | -                             | (115,500)         |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b> | <b>(115,500)</b>      | <b>-</b>                  | <b>-</b>                   | <b>-</b>          | <b>-</b>            | <b>-</b>              | <b>-</b>               | <b>95,620</b>                | <b>-</b>                      | <b>(19,880)</b>   |
| <b>NET CHANGE IN FUND BALANCES</b>          | <b>3,148</b>          | <b>5,294</b>              | <b>(13,416)</b>            | <b>33,986</b>     | <b>-</b>            | <b>16</b>             | <b>1,921</b>           | <b>-</b>                     | <b>9,322</b>                  | <b>40,271</b>     |
| <b>FUND BALANCE BEGINNING OF YEAR</b>       | <b>208,651</b>        | <b>2,216</b>              | <b>144,231</b>             | <b>101,667</b>    | <b>-</b>            | <b>65,280</b>         | <b>95,804</b>          | <b>-</b>                     | <b>214,158</b>                | <b>832,007</b>    |
| <b>FUND BALANCE END OF YEAR</b>             | <b>\$ 211,799</b>     | <b>\$ 7,510</b>           | <b>\$ 130,815</b>          | <b>\$ 135,653</b> | <b>\$ -</b>         | <b>\$ 65,296</b>      | <b>\$ 97,725</b>       | <b>\$ -</b>                  | <b>\$ 223,480</b>             | <b>\$ 872,278</b> |

**Supplementary Information  
Budgetary Comparison Schedule  
City Streets Fund  
For the Year Ended June 30, 2022**

|                                 | Budgeted Amounts |            | Actual     | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---------------------------------|------------------|------------|------------|---|
|                                 | Original         | Final      | Amounts    |   |
| REVENUES:                       |                  |            |            |   |
| Property Taxes                  | \$ 120,918       | \$ 118,594 | \$ 118,594 | \$ -  |
| Interest                        | 50               | 50         | 54         | 4   |
| TOTAL REVENUES                  | 120,968          | 118,644    | 118,648    | 4   |
| EXCESS OF REVENUES OVER (UNDER) |                  |            |            |   |
| EXPENDITURES BEFORE OTHER       |                  |            |            |   |
| FINANCING SOURCES (USES)        | 120,968          | 118,644    | 118,648    | 4   |
| OTHER FINANCING SOURCES (USES): |                  |            |            |   |
| Transfers Out                   | (115,500)        | (115,500)  | (115,500)  | -   |
| NET CHANGE IN FUND BALANCES     | \$ 5,468         | \$ 3,144   | \$ 3,148   | \$ 4  |
| FUND BALANCE BEGINNING OF YEAR  |                  |            | 208,651    |   |
| FUND BALANCE END OF YEAR        |                  |            | \$ 211,799 |   |

**Supplementary Information  
Budgetary Comparison Schedule  
Liquor Law Enforcement Fund  
For the Year Ended June 30, 2022**

|                                       | Budgeted Amounts |                 | Actual          | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---------------------------------------|------------------|-----------------|-----------------|---|
|                                       | Original         | Final           | Amounts         |   |
| REVENUES:                             |                  |                 |                 |   |
| State Sources                         | \$ 5,160         | \$ 5,300        | \$ 5,292        | \$ (8)  |
| Interest                              | 2                | 2               | 2               | -   |
| TOTAL REVENUES                        | 5,162            | 5,302           | 5,294           | (8)   |
| EXPENDITURES:                         |                  |                 |                 |   |
| Public Safety                         | 4,184            | -               | -               | -   |
| <b>NET CHANGE IN FUND BALANCES</b>    | <u>\$ 978</u>    | <u>\$ 5,302</u> | 5,294           | <u>\$ (8)</u>   |
| <b>FUND BALANCE BEGINNING OF YEAR</b> |                  |                 | <u>2,216</u>    |   |
| <b>FUND BALANCE END OF YEAR</b>       |                  |                 | <u>\$ 7,510</u> |   |

**Supplementary Information  
Budgetary Comparison Schedule  
Drug Law Enforcement Fund  
For the Year Ended June 30, 2022**

|                                | Budgeted Amounts |                    | Actual            | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--------------------------------|------------------|--------------------|-------------------|---|
|                                | Original         | Final              | Amounts           |   |
| REVENUES:                      |                  |                    |                   |   |
| Charges for Services           | \$ 1,000         | \$ -               | \$ -              | \$ -  |
| Other Revenue                  | 56,376           | 42,800             | 42,800            | -   |
| Interest                       | 42               | 32                 | 33                | 1   |
| TOTAL REVENUES                 | 57,418           | 42,832             | 42,833            | 1   |
| EXPENDITURES:                  |                  |                    |                   |   |
| Public Safety                  | 58,100           | 56,300             | 56,249            | 51  |
| NET CHANGE IN FUND BALANCES    | <u>\$ (682)</u>  | <u>\$ (13,468)</u> | (13,416)          | <u>\$ 52</u>  |
| FUND BALANCE BEGINNING OF YEAR |                  |                    | 144,231           |   |
| FUND BALANCE END OF YEAR       |                  |                    | <u>\$ 130,815</u> |   |

**Supplementary Information  
Budgetary Comparison Schedule  
Public Safety Fund  
For the Year Ended June 30, 2022**

|                                       | Budgeted Amounts |                  | Actual            | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---------------------------------------|------------------|------------------|-------------------|---|
|                                       | Original         | Final            | Amounts           |   |
| REVENUES:                             |                  |                  |                   |   |
| Taxes                                 | \$ 131,811       | \$ 133,897       | \$ 133,897        | \$ -  |
| State Sources                         | -                | 1,982            | 1,982             | -   |
| Interest                              | 12               | 30               | 30                | -   |
| TOTAL REVENUES                        | 131,823          | 135,909          | 135,909           | -   |
| EXPENDITURES:                         |                  |                  |                   |   |
| Public Safety                         | 128,370          | 102,426          | 101,923           | 503   |
| <b>NET CHANGE IN FUND BALANCES</b>    | <u>\$ 3,453</u>  | <u>\$ 33,483</u> | 33,986            | <u>\$ 503</u>   |
| <b>FUND BALANCE BEGINNING OF YEAR</b> |                  |                  | 101,667           |   |
| <b>FUND BALANCE END OF YEAR</b>       |                  |                  | <u>\$ 135,653</u> |   |

**Supplementary Information**  
**Downtown Development Authority Component Unit**  
**Statement of Balance Sheet and Net Position**  
**June 30, 2022**

|  | Downtown<br>Development<br>Authority | Adjustments       | Statement<br>of<br>Net Position |
|--|--------------------------------------|-------------------|---------------------------------|
| <b>ASSETS:</b>                                   |                                      |                   |                                 |
| Cash and Equivalents                             | \$ 354,714                           | \$ -              | \$ 354,714                      |
| Capital Assets (Not Depreciated)                 | -                                    | 141,256           | 141,256                         |
| Capital Assets (Net of Accumulated Depreciation) | -                                    | 256,918           | 256,918                         |
|  | <hr/>                                | <hr/>             | <hr/>                           |
| TOTAL ASSETS                                     | 354,714                              | 398,174           | 752,888                         |
|  | <hr/>                                | <hr/>             | <hr/>                           |
| <b>LIABILITIES AND FUND BALANCE:</b>             |                                      |                   |                                 |
| <b>Liabilities</b>                               |                                      |                   |                                 |
| Accounts Payable                                 | 120                                  | -                 | 120                             |
| Accrued Liabilities                              | 213                                  | -                 | 213                             |
|  | <hr/>                                | <hr/>             | <hr/>                           |
| TOTAL LIABILITIES                                | 333                                  | -                 | 333                             |
|  | <hr/>                                | <hr/>             | <hr/>                           |
| <b>Fund Balance</b>                              |                                      |                   |                                 |
| Restricted for DDA                               | 354,381                              | -                 | -                               |
|  | <hr/>                                | <hr/>             | <hr/>                           |
| TOTAL LIABILITIES AND FUND BALANCE               | <u>\$ 354,714</u>                    |                   |                                 |
|  | <hr/>                                |                   |                                 |
| <b>NET POSITION:</b>                             |                                      |                   |                                 |
| Net Investment in Capital Assets                 |                                      | 398,174           | 398,174                         |
| Restricted for DDA                               |                                      | -                 | 354,381                         |
|  |                                      | <hr/>             | <hr/>                           |
| TOTAL NET POSITION                               |                                      | <u>\$ 398,174</u> | <u>\$ 752,555</u>               |
|  |                                      | <hr/>             | <hr/>                           |

**Supplementary Information**  
**Downtown Development Authority Component Unit**  
**Statement of Activities and Revenues, Expenditures,**  
**and Changes in Fund Balances and Net Position**  
**For the Year Ended June 30, 2022**

|  | Downtown<br>Development<br>Authority | Adjustments       | Statement<br>of<br>Activities |
|--|--------------------------------------|-------------------|-------------------------------|
| <b>REVENUES:</b>                                       |                                      |                   |                               |
| Property Taxes   | \$ 198,815                           | \$ -              | \$ 198,815                    |
| State Sources  | 46,823                               | -                 | 46,823                        |
| Interest and Rents                                     | 100                                  | -                 | 100                           |
| <b>TOTAL REVENUES</b>                                  | <b>245,738</b>                       | <b>-</b>          | <b>245,738</b>                |
| <b>EXPENDITURES:</b>                                   |                                      |                   |                               |
| Personnel Services                                     | 11,729                               | -                 | 11,729                        |
| Supplies   | 1,597                                | -                 | 1,597                         |
| Contractual Services                                   | 12,110                               | -                 | 12,110                        |
| Repairs and Maintenance                                | 21,467                               | -                 | 21,467                        |
| Equipment Rental                                       | 3,301                                | -                 | 3,301                         |
| Reimbursements   | 122,975                              | -                 | 122,975                       |
| Other  | 7,130                                | (5,514)           | 1,616                         |
| Depreciation   | -                                    | 35,160            | 35,160                        |
| <b>TOTAL EXPENDITURES</b>                              | <b>180,309</b>                       | <b>29,646</b>     | <b>209,955</b>                |
| <b>EXCESS OF REVENUES OVER (UNDER)</b>                 |                                      |                   |                               |
| <b>EXPENDITURES BEFORE OTHER</b>                       |                                      |                   |                               |
| <b>FINANCING SOURCES (USES)</b>                        | 65,429                               | (29,646)          | 35,783                        |
| <b>NET CHANGE IN FUND BALANCE</b>                      | 65,429                               | (29,646)          | 35,783                        |
| <b>FUND BALANCES/NET POSITION AT BEGINNING OF YEAR</b> | 288,952                              | 427,820           | 716,772                       |
| <b>FUND BALANCES/NET POSITION AT END OF YEAR</b>       | <b>\$ 354,381</b>                    | <b>\$ 398,174</b> | <b>\$ 752,555</b>             |

**Supplementary Information**  
**Economic Development Corporation Component Unit**  
**Statement of Net Position and Balance Sheet**  
**June 30, 2022**

|                                     | Economic<br>Development<br>Corporation | Adjustments     | Statement<br>of<br>Net Position |
|-------------------------------------|--|-----------------|---------------------------------|
| <b>ASSETS:</b>                      |  |                 |                                 |
| Cash and Equivalents                | \$ 25,088                              | \$ -            | \$ 25,088                       |
| <br>TOTAL ASSETS                    | <br>25,088                             | <br>-           | <br>25,088                      |
| <b>FUND BALANCE:</b>                |  |                 |                                 |
| Restricted for Economic Development | 25,088                                 | (25,088)        | -                               |
| <br>TOTAL FUND BALANCE              | <br><u>\$ 25,088</u>                   |                 |                                 |
| <b>NET POSITION:</b>                |  |                 |                                 |
| Restricted for Economic Development |  | 25,088          | 25,088                          |
| <br>TOTAL NET POSITION              |  | <br><u>\$ -</u> | <br><u>\$ 25,088</u>            |

**Supplementary Information**  
**Economic Development Corporation Component Unit**  
**Statement of Activities and Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**For the Year Ended June 30, 2022**

|   | Economic<br>Development<br>Corporation | Adjustments | Statement<br>of<br>Activities |
|---|--|-------------|-------------------------------|
| <b>REVENUES:</b>                                |  |             |                               |
| Interest and Rents                              | \$ 35                                  | \$ -        | \$ 35                         |
| <br>TOTAL REVENUES                              | <br>35                                 | <br>-       | <br>35                        |
| <br>Change in Fund Balance/Net Position         | <br>35                                 | <br>-       | <br>35                        |
| Fund Balances/Net Position at Beginning of Year | 25,053                                 | -           | 25,053                        |
| Fund Balances/Net Position at End of Year       | <u>\$ 25,088</u>                       | <u>\$ -</u> | <u>\$ 25,088</u>              |

**Supplementary Information**  
**Gladwin Airport Component Unit**  
**Statement of Net Position**  
**June 30, 2022**

**ASSETS:**

|  |                         |
|--|-------------------------|
| Cash and Equivalents                             | \$ 180,013              |
| Inventory  | 45,742                  |
| Right to Use Asset                               | 7,744                   |
| Capital Assets (Not Depreciated)                 | 57,000                  |
| Capital Assets (Net of Accumulated Depreciation) | <u>1,882,525</u>        |
| <b>TOTAL ASSETS</b>                              | <u><b>2,173,024</b></u> |

**LIABILITIES:**

|                          |                      |
|--------------------------|----------------------|
| Accounts Payable         | 2,138                |
| Security Deposits        | 5,920                |
| Lease Payable            | <u>11,151</u>        |
| <b>TOTAL LIABILITIES</b> | <u><b>19,209</b></u> |

**NET POSITION:**

|                                  |                                   |
|----------------------------------|-----------------------------------|
| Net Investment in Capital Assets | 1,939,525                         |
| Unrestricted                     | <u>214,290</u>                    |
| <b>TOTAL NET POSITION</b>        | <u><u><b>\$ 2,153,815</b></u></u> |

**Supplementary Information  
Gladwin Airport Component Unit  
Statement of Activities  
For the Year Ended June 30, 2022**

**OPERATING REVENUES:**

|                                     |           |
|-------------------------------------|-----------|
| Charges for Services                | \$ 76,544 |
| Intergovernmental Revenue:          |           |
| County Contributions                | 15,000    |
| Reimbursements from City of Gladwin | 11,786    |
| Other Revenue                       | 13,354    |
|                                     | <hr/>     |
| Total Operating Revenues            | 116,684   |
|                                     | <hr/>     |

**OPERATING EXPENSES:**

|                          |         |
|--------------------------|---------|
| Supplies                 | 80,437  |
| Contracted Services      | 74,438  |
| Insurance                | 6,020   |
| Utilities                | 12,339  |
| Repairs and Maintenance  | 3,258   |
| Lease Amortization       | 3,407   |
| Miscellaneous            | 3,891   |
| Depreciation             | 113,213 |
|                          | <hr/>   |
| Total Operating Expenses | 297,003 |
|                          | <hr/>   |

|                                |                  |
|--------------------------------|------------------|
| <b>OPERATING INCOME (LOSS)</b> | <b>(180,319)</b> |
|--------------------------------|------------------|

**NON-OPERATING REVENUES (EXPENSES):**

|  |          |
|--|----------|
| Federal Grants                             | 13,000   |
| Gain (Loss) on Disposal of Capital Assetes | (11,386) |
| Interest and Rents                         | 26,584   |
|  | <hr/>    |
| Total Non-Operating Revenues (Expenses)    | 28,198   |
|  | <hr/>    |

|                                |                  |
|--------------------------------|------------------|
| <b>CHANGES IN NET POSITION</b> | <b>(152,121)</b> |
|--------------------------------|------------------|

|                                 |           |
|---------------------------------|-----------|
| NET POSITION, BEGINNING OF YEAR | 2,305,936 |
|---------------------------------|-----------|

|                                  |                     |
|----------------------------------|---------------------|
| <b>NET POSITION, END OF YEAR</b> | <b>\$ 2,153,815</b> |
|----------------------------------|---------------------|

## **Statistical Section**

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This part of the City of Gladwin’s annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Statistical tables differ from the financial statements because they usually cover more than one year and may present nonaccounting data. These tables reflect social and economic data, financial trends, and the fiscal capability of the City of Gladwin.

| <b>Contents</b>  | <b>Page</b> |
|--|-------------|
| Financial Trends   | 67-71       |
| These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.  |             |
| Revenue Capacity   | 72-75       |
| These schedules contain information to help the reader assess the factors affecting the City’s ability to generate its property and sales taxes.   |             |
| Debt Capacity  | 76-81       |
| These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.                                |             |
| Demographic and Economic   | 82-83       |
| These schedules offer demographic/economic indicators to help the reader understand the environment within which the City’s financial activities take place and to help make comparisons over time and with other governments. |             |
| Operating Information  | 84-86       |
| These schedules contain information about the City’s operations and resources to help the reader understand how the City’s financial information relates to the services the City provides and the activities it performs.     |             |

**Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)**

|  | 2013                 | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 | 2019                 | 2020                 | 2021                 | 2022                 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Governmental activities</b>                         |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets                       | \$ 5,035,192         | \$ 4,847,853         | \$ 4,494,824         | \$ 4,200,616         | \$ 3,905,632         | \$ 4,911,940         | \$ 4,591,160         | \$ 3,612,428         | \$ 3,735,800         | \$ 2,974,364         |
| Restricted   | 763,776              | 908,424              | 804,228              | 895,527              | 951,465              | 986,397              | 1,313,100            | 1,572,924            | 1,833,261            | 2,346,504            |
| Unrestricted   | 910,151              | 964,928              | 849,958              | 931,479              | 1,077,072            | 327,296              | 350,626              | 1,276,408            | 1,365,006            | 1,398,979            |
| <b>Total governmental activities net position</b>      | <u>\$ 6,709,119</u>  | <u>\$ 6,721,205</u>  | <u>\$ 6,149,010</u>  | <u>\$ 6,027,622</u>  | <u>\$ 5,934,169</u>  | <u>\$ 6,225,633</u>  | <u>\$ 6,254,886</u>  | <u>\$ 6,461,760</u>  | <u>\$ 6,934,067</u>  | <u>\$ 6,719,847</u>  |
| <b>Business-type activities</b>                        |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets                       | \$ 3,841,673         | \$ 3,622,634         | \$ 3,598,469         | \$ 3,629,857         | \$ 3,321,217         | \$ 3,056,354         | \$ 3,346,701         | \$ 4,225,543         | \$ 4,319,164         | \$ 4,145,784         |
| Restricted   | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 8,000                | 8,000                | 8,000                |
| Unrestricted   | 1,589,530            | 1,679,455            | 1,510,984            | 858,903              | 1,057,430            | 1,007,081            | 1,031,114            | 1,284,939            | 1,586,321            | 1,669,976            |
| <b>Total business-type activities net position</b>     | <u>\$ 5,431,203</u>  | <u>\$ 5,302,089</u>  | <u>\$ 5,109,453</u>  | <u>\$ 4,488,760</u>  | <u>\$ 4,378,647</u>  | <u>\$ 4,063,435</u>  | <u>\$ 4,377,815</u>  | <u>\$ 5,518,482</u>  | <u>\$ 5,913,485</u>  | <u>\$ 5,823,760</u>  |
| <b>Total governmental and business-type activities</b> |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets                       | \$ 8,876,865         | \$ 8,470,487         | \$ 8,093,293         | \$ 7,830,473         | \$ 7,226,849         | \$ 7,968,294         | \$ 7,937,861         | \$ 7,837,971         | \$ 8,054,964         | \$ 7,120,148         |
| Restricted   | 763,776              | 908,424              | 804,228              | 895,527              | 951,465              | 986,397              | 1,313,100            | 1,580,924            | 1,841,261            | 2,354,504            |
| Unrestricted   | 2,499,681            | 2,644,383            | 2,360,942            | 1,790,382            | 2,134,502            | 1,334,377            | 1,381,740            | 2,561,347            | 2,951,327            | 3,068,955            |
| <b>Total net position</b>                              | <u>\$ 12,140,322</u> | <u>\$ 12,023,294</u> | <u>\$ 11,258,463</u> | <u>\$ 10,516,382</u> | <u>\$ 10,312,816</u> | <u>\$ 10,289,068</u> | <u>\$ 10,632,701</u> | <u>\$ 11,980,242</u> | <u>\$ 12,847,552</u> | <u>\$ 12,543,607</u> |

**Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)**

|   | 2013                  | 2014                  | 2015                  | 2016                  | 2017                  | 2018                  | 2019                  | 2020                | 2021                | 2022                  |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|---------------------|-----------------------|
| <b>Expenses</b>                                 |                       |                       |                       |                       |                       |                       |                       |                     |                     |                       |
| Governmental activities:                        |                       |                       |                       |                       |                       |                       |                       |                     |                     |                       |
| Legislative                                     | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ 61,665             | \$ 58,678             | \$ 79,491             | \$ 62,058           | \$ 52,634           | \$ -                  |
| General Government                              | 727,658               | 727,355               | 771,476               | 734,990               | 626,632               | 532,058               | 635,799               | 640,094             | 545,573             | 667,227               |
| Public Safety                                   | 610,119               | 588,948               | 570,945               | 577,440               | 649,604               | 583,447               | 698,873               | 621,991             | 681,293             | 779,933               |
| Public Works                                    | 1,080,999             | 862,141               | 1,125,553             | 1,179,021             | 914,936               | 864,529               | 1,625,757             | 2,418,947           | 1,022,816           | 1,016,239             |
| Health and Welfare                              | -                     | 85,300                | -                     | -                     | -                     | -                     | -                     | -                   | -                   | -                     |
| Recreation and Culture                          | 200,697               | 196,980               | 300,512               | 195,488               | 202,789               | 282,873               | 204,028               | 177,365             | 239,689             | 258,054               |
| Interest on long-term debt                      | 9,940                 | 12,984                | 15,992                | 3,705                 | 50,716                | 47,250                | 40,991                | 32,469              | 23,959              | 18,735                |
| Other Expenses                                  | -                     | -                     | -                     | -                     | -                     | -                     | 18,427                | -                   | -                   | -                     |
| Total governmental activities expenses          | 2,629,413             | 2,473,708             | 2,784,478             | 2,690,644             | 2,506,342             | 2,368,835             | 3,303,366             | 3,952,924           | 2,565,964           | 2,740,188             |
| Business-type activities:                       |                       |                       |                       |                       |                       |                       |                       |                     |                     |                       |
| Ice arena                                       | 54,117                | 34,704                | 33,100                | 351,182               | -                     | -                     | -                     | -                   | -                   | -                     |
| Farmers' market                                 | 14,543                | 8,898                 | 9,272                 | 8,710                 | 10,217                | 8,700                 | 24,900                | 11,275              | 10,558              | 13,604                |
| Sewer   | 446,251               | 452,687               | 529,378               | 553,749               | 529,119               | 547,527               | 488,652               | 532,361             | 520,631             | 604,383               |
| Water   | 554,833               | 530,461               | 560,326               | 545,939               | 587,576               | 593,761               | 437,842               | 355,760             | 398,245             | 509,644               |
| Total business-type activities expenses         | 1,069,744             | 1,026,750             | 1,132,076             | 1,459,580             | 1,126,912             | 1,149,988             | 951,394               | 899,396             | 929,434             | 1,127,631             |
| Total primary government expenses               | <u>\$ 3,699,157</u>   | <u>\$ 3,500,458</u>   | <u>\$ 3,916,554</u>   | <u>\$ 4,150,224</u>   | <u>\$ 3,633,254</u>   | <u>\$ 3,518,823</u>   | <u>\$ 4,254,760</u>   | <u>\$ 4,852,320</u> | <u>\$ 3,495,398</u> | <u>\$ 3,867,819</u>   |
| <b>Program revenues</b>                         |                       |                       |                       |                       |                       |                       |                       |                     |                     |                       |
| Governmental activities:                        |                       |                       |                       |                       |                       |                       |                       |                     |                     |                       |
| Charges for services:                           |                       |                       |                       |                       |                       |                       |                       |                     |                     |                       |
| General government                              | \$ 135,422            | \$ 119,286            | \$ 137,548            | \$ 230,851            | \$ 142,545            | \$ 336,491            | \$ 250,116            | \$ 214,820          | \$ 136,429          | \$ 67,589             |
| Public safety                                   | 74,413                | 69,056                | 7,204                 | 313                   | 13,519                | 20,737                | 38,764                | 40,109              | 12,105              | 11,971                |
| Public works                                    | 211,086               | 195,100               | 203,472               | 192,650               | 207,490               | 180,404               | 205,380               | 204,985             | 261,943             | 261,632               |
| Recreation and culture                          | 82,521                | 185,101               | 89,029                | 95,673                | 63,760                | 130,905               | 118,068               | 100,035             | 128,733             | 97,968                |
| Operating grants and contributions              | 288,019               | 401,611               | 293,271               | 422,619               | 389,844               | 495,279               | 846,915               | 1,536,219           | 775,690             | 641,259               |
| Capital grants and contributions                | 94,269                | 8,000                 | 21,321                | -                     | -                     | -                     | 355,946               | 580,054             | 60,253              | 24,122                |
| Total governmental activities program revenues  | 885,730               | 978,154               | 751,845               | 942,106               | 817,158               | 1,163,816             | 1,815,189             | 2,676,222           | 1,375,153           | 1,104,541             |
| Business-type activities:                       |                       |                       |                       |                       |                       |                       |                       |                     |                     |                       |
| Charges for services:                           |                       |                       |                       |                       |                       |                       |                       |                     |                     |                       |
| Ice arena                                       | 3,383                 | 3,383                 | 3,383                 | -                     | -                     | -                     | -                     | -                   | -                   | -                     |
| Farmers' market                                 | 2,296                 | 957                   | 1,012                 | 1,991                 | 3,021                 | 5,188                 | 4,507                 | 2,328               | 1,865               | 2,590                 |
| Sewer   | 709,393               | 684,688               | 707,246               | 582,683               | 645,928               | 598,635               | 628,179               | 686,651             | 699,659             | 685,002               |
| Water   | 334,966               | 336,597               | 336,519               | 409,602               | 388,061               | 320,660               | 340,911               | 467,309             | 548,728             | 572,105               |
| Operating grants and contributions              | -                     | -                     | -                     | -                     | 1,765                 | 2,607                 | 382,335               | -                   | -                   | -                     |
| Capital grants and contributions                | 2,246                 | 2,994                 | 5,475                 | 4,265                 | -                     | -                     | -                     | 961,255             | 64,343              | -                     |
| Total business-type activities program revenues | 1,052,284             | 1,028,619             | 1,053,635             | 998,541               | 1,038,775             | 927,090               | 1,355,932             | 2,117,543           | 1,314,595           | 1,259,697             |
| Total primary government program revenues       | <u>\$ 1,938,014</u>   | <u>\$ 2,006,773</u>   | <u>\$ 1,805,480</u>   | <u>\$ 1,940,647</u>   | <u>\$ 1,855,933</u>   | <u>\$ 2,090,906</u>   | <u>\$ 3,171,121</u>   | <u>\$ 4,793,765</u> | <u>\$ 2,689,748</u> | <u>\$ 2,364,238</u>   |
| Net (expense)/revenue                           |                       |                       |                       |                       |                       |                       |                       |                     |                     |                       |
| Governmental activities                         | (1,743,683)           | (1,495,554)           | (2,032,633)           | (1,748,538)           | (1,689,184)           | (1,205,019)           | (1,488,177)           | (1,276,702)         | (1,190,811)         | (1,635,647)           |
| Business-type activities                        | (17,460)              | 1,869                 | (78,441)              | (461,039)             | (88,137)              | (222,898)             | 404,538               | 1,218,147           | 385,161             | 132,066               |
| Total primary government net expense            | <u>\$ (1,761,143)</u> | <u>\$ (1,493,685)</u> | <u>\$ (2,111,074)</u> | <u>\$ (2,209,577)</u> | <u>\$ (1,777,321)</u> | <u>\$ (1,427,917)</u> | <u>\$ (1,083,639)</u> | <u>\$ (58,555)</u>  | <u>\$ (805,650)</u> | <u>\$ (1,503,581)</u> |

**Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)**

|  | 2013         | 2014         | 2015         | 2016         | 2017         | 2018         | 2019         | 2020         | 2021         | 2022         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>General revenues and other changes in net position</b>    |              |              |              |              |              |              |              |              |              |              |
| Governmental activities:                                     |              |              |              |              |              |              |              |              |              |              |
| Property taxes   | \$ 1,073,219 | \$ 1,047,186 | \$ 1,034,612 | \$ 1,144,657 | \$ 1,048,676 | \$ 1,056,871 | \$ 1,066,602 | \$ 1,079,810 | \$ 1,257,971 | \$ 1,160,475 |
| Grants and contributions not restricted to specific programs | 279,242      | 289,937      | 343,047      | 293,685      | 304,970      | 314,822      | 324,733      | 308,077      | 367,265      | 411,834      |
| Unrestricted investment earnings                             | 3,763        | 2,799        | 2,748        | 3,379        | 5,863        | 18,313       | 24,047       | 28,392       | 2,231        | 1,754        |
| Other revenue  | 2,960        | 6,388        | 18,865       | 24,934       | 47,493       | 5,750        | 5,455        | 5,240        | 1,901        | 121,154      |
| Gain (loss) on disposal of capital assets                    | -            | -            | -            | -            | -            | -            | -            | -            | -            | (538,710)    |
| Transfers - internal activities                              | 132,365      | 161,330      | 143,163      | 160,495      | 145,125      | 100,727      | 96,593       | 132,394      | 100,797      | 264,920      |
| Total governmental activities                                | 1,491,549    | 1,507,640    | 1,542,435    | 1,627,150    | 1,552,127    | 1,496,483    | 1,517,430    | 1,553,913    | 1,730,165    | 1,421,427    |
| Business-type activities:                                    |              |              |              |              |              |              |              |              |              |              |
| Grants and contributions not restricted to specific programs | -            | -            | -            | -            | -            | -            | -            | 27,074       | 99,009       | 46,669       |
| Unrestricted investment earnings                             | 31,377       | 30,347       | 28,968       | 840          | 776          | 8,413        | 6,435        | 16,355       | 1,502        | 254          |
| Other revenue  | -            | -            | -            | -            | -            | -            | -            | -            | 10,128       | 628          |
| Gain (loss) on disposal of capital assets                    | -            | -            | -            | -            | -            | -            | -            | -            | -            | (4,422)      |
| Transfers - internal activities                              | (132,365)    | (161,330)    | (143,163)    | (160,495)    | (145,125)    | (100,727)    | (96,593)     | (132,394)    | (100,797)    | (264,920)    |
| Total business-type activities                               | (100,988)    | (130,983)    | (114,195)    | (159,655)    | (144,349)    | (92,314)     | (90,158)     | (88,965)     | 9,842        | (221,791)    |
| Total primary government                                     | \$ 1,390,561 | \$ 1,376,657 | \$ 1,428,240 | \$ 1,467,495 | \$ 1,407,778 | \$ 1,404,169 | \$ 1,427,272 | \$ 1,464,948 | \$ 1,740,007 | \$ 1,199,636 |
| <b>Change in net position</b>                                |              |              |              |              |              |              |              |              |              |              |
| Governmental activities                                      | \$ (252,134) | \$ 12,086    | \$ (490,198) | \$ (121,388) | \$ (137,057) | \$ 291,464   | \$ 29,253    | \$ 277,211   | \$ 539,354   | \$ (214,220) |
| Business-type activities                                     | (118,448)    | (129,114)    | (192,636)    | (620,694)    | (232,486)    | (315,212)    | 314,380      | 1,129,182    | 395,003      | (89,725)     |
| Total primary government                                     | \$ (370,582) | \$ (117,028) | \$ (682,834) | \$ (742,082) | \$ (369,543) | \$ (23,748)  | \$ 343,633   | \$ 1,406,393 | \$ 934,357   | \$ (303,945) |

# City of Gladwin, Michigan

## Fund Balances of Governmental Funds Last Ten Fiscal Years (accrual basis of accounting)

|                                    | 2013              | 2014                | 2015              | 2016                | 2017                | 2018                | 2019                | 2020                | 2021                | 2022                |
|------------------------------------|-------------------|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund:                      |                   |                     |                   |                     |                     |                     |                     |                     |                     |                     |
| Nonspendable                       | \$ 1,218          | \$ 626              | \$ 626            | \$ 626              | \$ 721              | \$ 3,446            | \$ 4,993            | \$ 2,452            | \$ 2,615            | \$ 3,254            |
| Restricted                         | 2,331             | 2,331               | 2,331             | 2,331               | 2,331               | 2,331               | 2,331               | 2,331               | 2,331               | -                   |
| Committed                          | 141,635           | 141,635             | 141,635           | 141,635             | 123,916             | 123,916             | 123,916             | 41,635              | 41,635              | 51,635              |
| Assigned                           | -                 | -                   | -                 | -                   | -                   | -                   | -                   | 100,000             | -                   | 2,331               |
| Unassigned                         | 784,141           | 923,697             | 843,683           | 985,785             | 951,745             | 1,154,208           | 1,193,496           | 1,203,945           | 1,411,032           | 1,423,390           |
| Total General Fund                 | <u>\$ 929,325</u> | <u>\$ 1,068,289</u> | <u>\$ 988,275</u> | <u>\$ 1,130,377</u> | <u>\$ 1,078,713</u> | <u>\$ 1,283,901</u> | <u>\$ 1,324,736</u> | <u>\$ 1,350,363</u> | <u>\$ 1,457,613</u> | <u>\$ 1,480,610</u> |
| All other governmental funds:      |                   |                     |                   |                     |                     |                     |                     |                     |                     |                     |
| Nonspendable:                      |                   |                     |                   |                     |                     |                     |                     |                     |                     |                     |
| Cemetery perpetual care            | \$ 174,192        | \$ 180,118          | \$ 183,178        | \$ 188,257          | \$ 193,061          | \$ 198,589          | \$ 204,594          | \$ 208,786          | \$ 214,158          | \$ 223,480          |
| Restricted, reported in:           |                   |                     |                   |                     |                     |                     |                     |                     |                     |                     |
| Special revenue funds              | 555,872           | 696,943             | 588,162           | 673,676             | 893,764             | 906,215             | 973,014             | 1,411,892           | 1,669,846           | 2,183,483           |
| Debt service funds                 | 31,381            | 29,032              | 30,557            | 31,263              | 55,370              | 80,182              | 84,374              | 89,350              | 95,804              | 97,725              |
| Capital project funds              | -                 | -                   | -                 | -                   | -                   | -                   | 77,119              | 69,351              | 65,280              | 65,296              |
| Total all other governmental funds | <u>\$ 761,445</u> | <u>\$ 906,093</u>   | <u>\$ 801,897</u> | <u>\$ 893,196</u>   | <u>\$ 1,142,195</u> | <u>\$ 1,184,986</u> | <u>\$ 1,339,101</u> | <u>\$ 1,779,379</u> | <u>\$ 2,045,088</u> | <u>\$ 2,569,984</u> |

**Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(accrual basis of accounting)**

|   | <u>2013</u>        | <u>2014</u>       | <u>2015</u>         | <u>2016</u>       | <u>2017</u>       | <u>2018</u>       | <u>2019</u>       | <u>2020</u>       | <u>2021</u>       | <u>2022</u>       |
|---|--------------------|-------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues:   |                    |                   |                     |                   |                   |                   |                   |                   |                   |                   |
| Taxes   | \$ 1,073,219       | \$ 1,047,186      | \$ 1,034,612        | \$ 1,144,657      | \$ 1,048,676      | \$ 1,056,871      | \$ 1,066,602      | \$ 1,079,810      | \$ 1,257,971      | \$ 1,160,475      |
| Special Assessments                                     | -                  | -                 | -                   | -                 | -                 | -                 | -                 | -                 | 29,400            | 32,576            |
| Licenses and Permits                                    | 43,420             | 33,773            | 45,965              | 47,601            | 49,652            | 61,177            | 49,236            | 58,599            | 48,904            | 47,847            |
| Intergovernmental Revenue                               | 620,962            | 680,044           | 630,092             | 800,043           | 694,714           | 809,896           | 1,171,406         | 2,410,976         | 1,169,140         | 1,077,215         |
| Charges for Services                                    | 359,893            | 353,080           | 311,431             | 314,067           | 346,984           | 547,895           | 512,705           | 352,814           | 352,758           | 358,737           |
| Fines and Forfeitures                                   | 15,002             | 15,836            | 6,984               | 135               | -                 | -                 | -                 | -                 | -                 | -                 |
| Interest and Rentals                                    | 3,573              | 2,786             | 2,736               | 3,359             | 14,463            | 24,063            | 29,502            | 32,132            | 4,336             | 4,169             |
| Other Revenue   | 128,655            | 130,892           | 50,566              | 44,323            | 69,671            | 59,670            | 50,629            | 137,249           | 142,012           | 118,739           |
| Total revenues  | <u>2,244,724</u>   | <u>2,263,597</u>  | <u>2,082,386</u>    | <u>2,354,185</u>  | <u>2,224,160</u>  | <u>2,559,572</u>  | <u>2,880,080</u>  | <u>4,071,580</u>  | <u>3,004,521</u>  | <u>2,799,758</u>  |
| Expenditures:   |                    |                   |                     |                   |                   |                   |                   |                   |                   |                   |
| Legislative   | -                  | -                 | -                   | -                 | 61,665            | 58,678            | 79,491            | 62,058            | 52,634            | -                 |
| General Government                                      | 638,246            | 649,362           | 695,822             | 636,345           | 603,964           | 541,441           | 616,860           | 613,463           | 537,042           | 648,509           |
| Public Safety   | 593,629            | 558,101           | 539,063             | 543,545           | 595,800           | 528,354           | 647,634           | 573,426           | 624,672           | 725,173           |
| Public Works  | 740,162            | 523,551           | 776,556             | 821,656           | 569,961           | 494,395           | 802,997           | 2,052,754         | 666,513           | 796,555           |
| Health and Welfare                                      | -                  | 85,300            | -                   | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Recreation and Culture                                  | 179,720            | 136,370           | 234,756             | 133,593           | 139,945           | 226,249           | 140,151           | 112,224           | 180,047           | 198,412           |
| Debt Service  |                    |                   |                     |                   |                   |                   |                   |                   |                   |                   |
| Principal   | 136,000            | 141,000           | 148,000             | 153,000           | 171,000           | 169,000           | 212,619           | 185,000           | 191,000           | 96,000            |
| Interest  | 81,062             | 77,856            | 71,714              | 65,184            | 50,219            | 49,249            | 4,465             | 34,921            | 26,288            | 19,595            |
| Capital Outlay  | 83,363             | -                 | 4,998               | 8,619             | -                 | 347,285           | 631,121           | 33,886            | 343,442           | 9,541             |
| Total expenditures                                      | <u>2,452,182</u>   | <u>2,171,540</u>  | <u>2,470,909</u>    | <u>2,361,942</u>  | <u>2,192,554</u>  | <u>2,414,651</u>  | <u>3,135,338</u>  | <u>3,667,732</u>  | <u>2,621,638</u>  | <u>2,493,785</u>  |
| Excess of revenues<br>over (under) expenditures         | <u>(207,458)</u>   | <u>92,057</u>     | <u>(388,523)</u>    | <u>(7,757)</u>    | <u>31,606</u>     | <u>144,921</u>    | <u>(255,258)</u>  | <u>403,848</u>    | <u>382,883</u>    | <u>305,973</u>    |
| Other financing sources (uses):                         |                    |                   |                     |                   |                   |                   |                   |                   |                   |                   |
| Proceeds from the issuance of debt                      | 1,368              | -                 | -                   | -                 | -                 | -                 | 355,946           | -                 | -                 | -                 |
| Transfers in  | 244,786            | 324,614           | 327,413             | 513,658           | 298,625           | 178,427           | 171,593           | 416,594           | 364,936           | 501,120           |
| Transfers out   | (105,421)          | (133,059)         | (123,100)           | (272,500)         | (176,500)         | (77,700)          | (75,000)          | (284,200)         | (307,813)         | (259,200)         |
| Total financing sources (uses)                          | <u>140,733</u>     | <u>191,555</u>    | <u>204,313</u>      | <u>241,158</u>    | <u>122,125</u>    | <u>100,727</u>    | <u>452,539</u>    | <u>132,394</u>    | <u>57,123</u>     | <u>241,920</u>    |
| Net change in fund balances                             | <u>\$ (66,725)</u> | <u>\$ 283,612</u> | <u>\$ (184,210)</u> | <u>\$ 233,401</u> | <u>\$ 153,731</u> | <u>\$ 245,648</u> | <u>\$ 197,281</u> | <u>\$ 536,242</u> | <u>\$ 440,006</u> | <u>\$ 547,893</u> |
| Debt service as a percentage of noncapital expenditures | 9.5%               | 9.5%              | 8.9%                | 9.3%              | 10.1%             | 10.6%             | 8.7%              | 6.1%              | 9.5%              | 4.7%              |

# City of Gladwin, Michigan

## Governmental Activities Assessed Value of Taxable Property Last Ten Fiscal Years

| Fiscal Year<br>Ended<br>June 30 | Real Property |               |              | Personal<br>Property | Total<br>Taxable<br>Assessed Value | Total<br>Direct<br>Rate |
|---------------------------------|---------------|---------------|--------------|----------------------|------------------------------------|-------------------------|
|                                 | Residential   | Commercial    | Industrial   |                      |                                    |                         |
| 2013                            | \$ 34,663,905 | \$ 24,405,200 | \$ 3,601,000 | \$ 7,672,996         | \$ 70,343,101                      | 15.5697                 |
| 2014                            | 29,805,100    | 21,629,600    | 3,580,000    | 8,155,651            | 63,170,351                         | 16.5017                 |
| 2015                            | 28,594,590    | 21,272,823    | 3,457,487    | 6,827,400            | 60,152,300                         | 16.5017                 |
| 2016                            | 28,566,104    | 20,102,857    | 3,330,553    | 5,994,000            | 57,993,514                         | 16.8107                 |
| 2017                            | 28,937,151    | 21,540,159    | 3,309,801    | 6,158,100            | 59,945,211                         | 16.6697                 |
| 2018                            | 29,342,921    | 22,161,256    | 2,925,189    | 6,231,100            | 60,360,466                         | 16.5205                 |
| 2019                            | 30,041,652    | 22,634,554    | 2,754,681    | 6,843,400            | 62,274,287                         | 16.4038                 |
| 2020                            | 31,053,184    | 23,654,124    | 3,026,811    | 6,602,300            | 64,116,619                         | 16.2845                 |
| 2021                            | 32,060,830    | 24,037,760    | 2,846,300    | 7,093,500            | 66,038,390                         | 18.2845                 |
| 2022                            | 32,060,830    | 24,385,483    | 3,069,176    | 7,174,700            | 66,690,189                         | 16.4762                 |

Source: Gladwin City Assessor

Notes: Does not include Industrial or Commercial Rehabilitation Tax

Property in the City is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to 50% of true cash value. Tax rates are per \$1,000 of taxable value.

## City of Gladwin, Michigan

### Property Tax Rates Direct and Overlapping Governments Last Ten Years

| City of Gladwin |                   |                      |                    |                    | Overlapping Rates* |                      |                           |                       |                      |                      |                     |                   |                            |
|-----------------|-------------------|----------------------|--------------------|--------------------|--------------------|----------------------|---------------------------|-----------------------|----------------------|----------------------|---------------------|-------------------|----------------------------|
|                 |                   |                      |                    |                    | Gladwin County     |                      | Gladwin Community Schools |                       |                      |                      |                     | Total             |                            |
| Fiscal Year     | Operating Millage | Debt Service Millage | Other City Millage | Total City Millage | Operating Millage  | Other County Millage | Total County Millage      | Non-homestead Millage | Debt Service Millage | Total School Millage | State Education Tax | Special Districts | Direct & Overlapping Rates |
| 2013            | 14.6457           | 0.9240               |                    | 15.5697            | 4.4052             | 4.2465               | 8.6517                    | 18.0000               | 2.1400               | 20.1400              | 6.0000              | 3.2617            | 53.6231                    |
| 2014            | 14.6457           | 1.8560               |                    | 16.5017            | 4.4052             | 4.7500               | 9.1552                    | 18.0000               | 2.1000               | 20.1000              | 6.0000              | 3.2617            | 55.0186                    |
| 2015            | 14.6457           | 1.8560               |                    | 16.5017            | 4.4052             | 4.8600               | 9.2652                    | 18.0000               | 2.0000               | 20.0000              | 6.0000              | 3.7582            | 55.5251                    |
| 2016            | 14.6457           | 2.1650               |                    | 16.8107            | 4.4052             | 4.3600               | 8.7652                    | 18.0000               | 2.0000               | 20.0000              | 6.0000              | 3.7582            | 55.3341                    |
| 2017            | 14.6457           | 2.0240               |                    | 16.6697            | 4.4052             | 4.4600               | 8.8652                    | 18.0000               | 2.0000               | 20.0000              | 6.0000              | 4.7582            | 56.2931                    |
| 2018            | 14.6457           | 1.8748               |                    | 16.5205            | 4.4052             | 4.5600               | 8.9652                    | 18.0000               | 2.0000               | 20.0000              | 6.0000              | 5.7582            | 57.2439                    |
| 2019            | 14.6457           | 1.7581               |                    | 16.4038            | 4.4052             | 4.9600               | 9.3652                    | 18.0000               | 1.9500               | 19.5000              | 6.0000              | 6.2082            | 57.4772                    |
| 2020            | 14.4845           | 1.8000               |                    | 16.2845            | 4.3866             | 4.9410               | 9.3276                    | 18.0000               | 1.9500               | 19.5000              | 6.0000              | 5.7326            | 56.8447                    |
| 2021            | 14.4845           | 1.8000               | 2.0000             | 18.2845            | 4.3866             | 6.4354               | 10.8220                   | 18.0000               | 1.9500               | 19.9500              | 6.0000              | 4.2382            | 59.2947                    |
| 2022            | 14.4772           | 0.0000               | 1.9990             | 16.4762            | 4.3866             | 6.6854               | 11.0720                   | 18.0000               | 1.9500               | 19.9500              | 6.0000              | 4.2382            | 57.7364                    |

\*Overlapping rates are those of local and county governments that apply to property owners with the City of Gladwin.  
In the City of Gladwin all overlapping rates apply to all property owners in the City.

Source: Gladwin County Apportionment Report

# City of Gladwin, Michigan

## Principal Taxpayers Current Year and Ten Years Ago

| Taxpayer                        | Type of Business       | 2022                   |      |                                    | 2012                   |      |                                    |
|---------------------------------|------------------------|------------------------|------|------------------------------------|------------------------|------|------------------------------------|
|                                 |                        | Taxable Assessed Value | Rank | Percentage of Total Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Assessed Value |
| Consumers Energy                | Utility                | \$ 3,919,200           | 1    | 5.9                                | \$ 2,461,064           | 1    | 3.4                                |
| M-61 Limited Partnership Ltd    | Health Care            | 1,206,615              | 2    | 1.8                                | 1,243,200              | 4    | 1.7                                |
| Ashcraft Gladwin LLC            | Retail                 | 1,160,537              | 3    | 1.7                                | 959,400                | 5    | 1.3                                |
| Gladwin Pines Property Holdings | Health Care            | 1,081,129              | 4    | 1.6                                |                        |      |                                    |
| Riverwalk Place, LLC            | Commercial/Residential | 1,072,084              | 5    | 1.6                                | 686,600                | 10   | 1.0                                |
| Jasco Properties, LLC           | Manufacturing          | 881,861                | 6    | 1.3                                | 911,700                | 6    | 1.3                                |
| CL Realty Gladwin LLC           | Real Estate Leasing    | 860,900                | 7    | 1.3                                |                        |      |                                    |
| DeShano, Gary & Florence        | Construction           |                        |      |                                    | 1,310,900              | 3    | 1.8                                |
| D&W Fine Pack Acquisition LLC   | Manufacturing          | 837,219                | 8    | 1.3                                |                        |      |                                    |
| Gladwin Holdings, LLC           | Commercial Development | 749,049                | 9    | 1.1                                |                        |      |                                    |
| Gladwin Adult Care, LLC         | Assisted Living        | 739,351                | 10   | 1.1                                |                        |      |                                    |
| Oberloier Properties LLC        | Manufacturing          |                        |      |                                    | 1,715,300              | 2    | 2.4                                |
| Packaging Direct                | Manufacturing          |                        |      |                                    | 853,900                | 7    | 1.2                                |
| Pamida Seven LLC                | Retail                 |                        |      |                                    | 846,400                | 8    | 1.2                                |
| Gladwin Plaza East LLC          | Commercial Development |                        |      |                                    | 701,600                | 9    | 1.0                                |
|                                 |                        | <u>\$ 12,507,945</u>   |      | <u>18.8</u>                        | <u>\$ 11,690,064</u>   |      | <u>16.3</u>                        |

Property Tax Levies and Collections  
Last Ten Years

| Tax Roll<br>Year | Fiscal Year<br>Ended<br>June 30 | Total Tax<br>Levy for<br>Fiscal Year | Collected within the<br>Fiscal Year of the Levy |                       | Collections<br>in Subsequent<br>Years | Total Collections to Date |                       | Outstanding<br>Delinquent<br>Taxes | Percent<br>Delinquent<br>Taxes to<br>Tax Levy |
|------------------|---------------------------------|--------------------------------------|---|-----------------------|---------------------------------------|---------------------------|-----------------------|------------------------------------|---|
|                  |                                 |                                      | Amount  | Percentage<br>of Levy |                                       | Amount                    | Percentage<br>of Levy |                                    |   |
| 2012             | 2013                            | \$ 1,029,769                         | \$ 1,028,661                                    | 99.89%                | -                                     | \$ 1,028,661              | 99.89%                | 1,108                              | 0.108%  |
| 2013             | 2014                            | 1,010,050                            | 973,492   | 96.38%                | -                                     | 973,492                   | 96.38%                | 40,493                             | 4.009%  |
| 2014             | 2015                            | 1,009,934                            | 950,853   | 94.15%                | -                                     | 950,853                   | 94.15%                | 59,081                             | 5.850%  |
| 2015             | 2016                            | 995,039                              | 949,467   | 95.42%                | -                                     | 949,467                   | 95.42%                | 45,573                             | 4.580%  |
| 2016             | 2017                            | 880,613                              | 829,201   | 94.16%                | -                                     | 829,201                   | 94.16%                | 46,330                             | 5.261%  |
| 2017             | 2018                            | 984,509                              | 938,215   | 95.30%                | -                                     | 938,215                   | 95.30%                | 46,277                             | 4.701%  |
| 2018             | 2019                            | 999,743                              | 964,244   | 96.45%                | -                                     | 964,244                   | 96.45%                | 35,499                             | 3.551%  |
| 2019             | 2020                            | 1,024,201                            | 994,184   | 97.07%                | -                                     | 994,184                   | 97.07%                | 30,017                             | 2.931%  |
| 2020             | 2021                            | 1,176,918                            | 1,136,858                                       | 96.60%                | -                                     | 1,136,858                 | 96.60%                | 40,060                             | 3.404%  |
| 2021             | 2022                            | 1,092,209                            | 1,061,611                                       | 97.20%                | -                                     | 1,061,611                 | 97.20%                | 30,599                             | 2.802%  |

Source : City Treasurer

Note: Does not include administration fees

# City of Gladwin, Michigan

## Ratios of Outstanding Debt by Type Last Ten Fiscal Years

| Fiscal<br>Year | Governmental Activities        |                         | Business-Type Activities    |                           |                                  | Total<br>Primary<br>Government | Per<br>Capita |
|----------------|--------------------------------|-------------------------|-----------------------------|---------------------------|----------------------------------|--------------------------------|---------------|
|                | General<br>Obligation<br>Bonds | Installment<br>Purchase | Water<br>Supply<br>GO Bonds | Arena<br>Revenue<br>Bonds | Water Supply<br>Revenue<br>Bonds |                                |               |
| 2013           | \$ 1,780,000                   | \$ -                    | \$ -                        | \$ 926,196                | \$ 902,991                       | \$ 3,609,187                   | 1,265         |
| 2014           | 1,639,000                      | 30,000                  | -                           | 877,996                   | 862,991                          | 3,409,987                      | 1,156         |
| 2015           | 1,491,000                      | 28,000                  | -                           | 829,796                   | 822,991                          | 3,171,787                      | 1,081         |
| 2016           | 1,351,000                      | 26,000                  | -                           | -                         | 782,991                          | 2,159,991                      | 736           |
| 2017           | 1,175,000                      | 24,000                  | -                           | -                         | 737,991                          | 1,936,991                      | 660           |
| 2018           | 1,068,000                      | 22,000                  | -                           | -                         | 692,991                          | 1,782,991                      | 608           |
| 2019           | 832,000                        | 20,000                  | -                           | -                         | 983,937                          | 1,835,937                      | 626           |
| 2020           | 647,000                        | 18,000                  | -                           | -                         | 1,525,991                        | 2,190,991                      | 736           |
| 2021           | 456,000                        | 16,000                  | -                           | -                         | 1,462,991                        | 1,934,991                      | 653           |
| 2022           | 360,000                        | 14,000                  | -                           | -                         | 1,398,991                        | 1,772,991                      | 615           |

Note: Does not include bonds issued by component units (specifically the Downtown Development Authority).

Details regarding the city's outstanding debt can be found in the notes to the financial statements beginning on page 42.

Data is not available for the total debt outstanding expressed as a percentage of personal income.

Population data can be found in the table of Demographic and Economic Statistics on page 82.

Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years

| Fiscal<br>Year<br>Ended<br>June 30 | General<br>Obligation<br>Bonds (1) | Less: Amounts<br>Available in Debt<br>Service Fund (2) | Total        | Percentage of<br>Estimated<br>Actual Taxable<br>Value of<br>Property (3) | Per<br>Capita (4) |
|------------------------------------|------------------------------------|--|--------------|--|-------------------|
| 2013                               | \$ 1,780,000                       | \$ 31,161  | \$ 1,748,839 | 2.65%  | 593               |
| 2014                               | 1,639,000                          | 28,776   | 1,610,224    | 2.49%  | 549               |
| 2015                               | 1,491,000                          | 29,665   | 1,461,335    | 2.43%  | 498               |
| 2016                               | 1,351,000                          | 29,836   | 1,321,164    | 2.28%  | 450               |
| 2017                               | 1,175,000                          | 53,734   | 1,121,266    | 1.87%  | 382               |
| 2018                               | 1,068,000                          | 74,854   | 993,146      | 1.65%  | 339               |
| 2019                               | 832,000                            | 80,066   | 751,934      | 1.21%  | 256               |
| 2020                               | 647,000                            | 85,801   | 561,199      | 0.88%  | 191               |
| 2021                               | 456,000                            | 95,804   | 360,196      | 0.55%  | 125               |
| 2022                               | 360,000                            | 97,725   | 262,275      | 0.39%  | 91                |

- Note:
- (1) This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.
  - (2) This is the amount restricted for debt service principal payments.
  - (3) See the Schedule of Assessed Value of Taxable Property on page 72 for property value data.
  - (4) Population data can be found in the Schedule of Demographic and Economic Statistics on page 82.

| <b>Governmental Unit</b>             | <b>Debt<br/>Outstanding</b> | <b>Percentage<br/>Applicable to<br/>City</b> | <b>City's Share<br/>of Debt</b> |
|--------------------------------------|-----------------------------|--|---------------------------------|
| Gladwin Community Schools            | \$ 5,734,311                | 11.00%                                       | \$ 630,774                      |
| City of Gladwin                      |                             |  |                                 |
| Direct Debt General Obligation Bonds | 360,000                     | 100.00%                                      | 360,000                         |
| Equipment Fund notes payable         | 14,000                      | 100.00%                                      | 14,000                          |
| Total City of Gladwin Direct Debt    |                             |  | 374,000                         |
| Total Direct and Overlapping Debt    |                             |  | \$ 1,004,774                    |

Sources: Debt outstanding data provided by the Gladwin Community School District.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Gladwin. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and business should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each

# City of Gladwin, Michigan

## Legal Debt Margin Information June 30, 2022

|   | 2012                | 2013                | 2014                | 2015                | 2016                | 2017                | 2018                | 2019                | 2020                | 2021                |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Debt limit  | \$ 7,011,697        | \$ 7,034,310        | \$ 6,317,035        | \$ 6,015,230        | \$ 5,799,351        | \$ 5,994,521        | \$ 6,036,047        | \$ 6,227,429        | \$ 6,433,642        | \$ 6,603,839        |
| Outstanding indebtedness at June 30                                     | 145,636             | 183,839             | 203,467             | 274,649             | 174,164             | 135,266             | 98,146              | 76,934              | 54,199              | 26,196              |
| Legal debt margin   | <u>\$ 6,866,061</u> | <u>\$ 6,850,471</u> | <u>\$ 6,113,568</u> | <u>\$ 5,740,581</u> | <u>\$ 5,625,187</u> | <u>\$ 5,859,255</u> | <u>\$ 5,937,901</u> | <u>\$ 6,150,495</u> | <u>\$ 6,379,443</u> | <u>\$ 6,577,643</u> |
| Total net debt applicable to the limit<br>as a percentage of debt limit | 2.08%               | 2.61%               | 3.22%               | 4.57%               | 3.00%               | 2.26%               | 1.63%               | 1.24%               | 0.84%               | 0.40%               |
| Percentage of net debt contracting<br>margin available                  | 97.92%              | 97.39%              | 96.78%              | 95.43%              | 97.00%              | 97.74%              | 98.37%              | 98.76%              | 99.16%              | 99.60%              |

Note: Outstanding indebtedness at June 30 excluded debt with dedicated funding sources.

### Legal Debt Margin Calculation for Fiscal Year 2022

|  |                      |
|--|----------------------|
|  | 2022                 |
| Total assessed value                                 | <u>\$ 66,690,189</u> |
| Debt limit (10% of total assessed value)             | \$ 6,669,019         |
| Debt applicable to limit:                            |                      |
| Total bonded debt, end of year from page 76          | 1,772,991            |
| Less: assets available for debt service from page 77 | (97,725)             |
| Less: bonds with dedicated funding source            | <u>(1,668,991)</u>   |
| Total net debt applicable to limit                   | <u>6,275</u>         |
| Legal debt margin for fiscal year 2022               | <u>\$ 6,662,744</u>  |
| Legal debt margin / legal debt limit                 | 99.91%               |

# City of Gladwin, Michigan

## Pledged-Revenue Coverage Last Ten Fiscal Years

| Fiscal<br>Year | Ice Arena Revenue Bonds |                                |                             |              |           |          | Water Supply System Revenue Bonds |                                |                             |              |           |          |
|----------------|-------------------------|--------------------------------|-----------------------------|--------------|-----------|----------|-----------------------------------|--------------------------------|-----------------------------|--------------|-----------|----------|
|                | Ice<br>Arena<br>Rental  | Less:<br>Operating<br>Expenses | Net<br>Available<br>Revenue | Debt Service |           |          | Water<br>Charges &<br>Other       | Less:<br>Operating<br>Expenses | Net<br>Available<br>Revenue | Debt Service |           |          |
|                |                         |                                |                             | Principal    | Interest  | Coverage |                                   |                                |                             | Principal    | Interest  | Coverage |
| 2013           | \$ 73,944               | \$ 14,349                      | \$ 59,595                   | \$ 50,000    | \$ 23,944 | 0.81     | \$ 334,966                        | \$ 526,644                     | \$ (191,678)                | \$ 40,000    | \$ 22,575 | (3.06)   |
| 2014           | 80,622                  | 2,491                          | 78,131                      | 50,000       | 29,182    | 0.99     | 336,597                           | 514,295                        | (177,698)                   | 40,000       | 21,824    | (2.87)   |
| 2015           | 79,413                  | 2,387                          | 77,026                      | 50,000       | 27,985    | 0.99     | 336,522                           | 644,470                        | (307,948)                   | 40,000       | 20,826    | (5.06)   |
| 2016           | -                       | -                              | -                           | -            | -         | N/A      | 409,602                           | 524,243                        | (114,641)                   | 45,000       | 19,825    | (1.77)   |
| 2017           | -                       | -                              | -                           | -            | -         | N/A      | 388,061                           | 564,997                        | (176,936)                   | 45,000       | 19,013    | (2.76)   |
| 2018           | -                       | -                              | -                           | -            | -         | N/A      | 320,660                           | 571,240                        | (250,580)                   | 45,000       | 17,324    | (4.02)   |
| 2019           | -                       | -                              | -                           | -            | -         | N/A      | 340,911                           | 417,512                        | (76,601)                    | 45,000       | 20,330    | (1.17)   |
| 2020           | -                       | -                              | -                           | -            | -         | N/A      | 467,309                           | 333,125                        | 134,184                     | 58,000       | 22,635    | 1.66     |
| 2021           | -                       | -                              | -                           | -            | -         | N/A      | 558,728                           | 359,746                        | 198,982                     | 53,000       | 38,499    | 2.17     |
| 2022           | -                       | -                              | -                           | -            | -         | N/A      | 572,105                           | 465,907                        | 106,198                     | 64,000       | 43,737    | 0.99     |

Note: Ice Arena Bonds were issued June 24, 1999, with first principal payment in fiscal 2007; they were refunded on August 8, 2012 and defeased in September 2015.

(See page 44 in the Notes to the Financial Statements for a detailed explanation)

Water Supply System Bonds were issued January 22, 2010, with first interest payment in fiscal 2011 and first principal payment in fiscal 2012 and February 11, 2019 with first interest payment in fiscal 2019 and first principal payment in fiscal 2020.

# City of Gladwin, Michigan

## Annual Debt Service Requirements June 30, 2022

| For Year<br>Ended<br>June 30 |                                 |           |                                 |          |                                 |          | Business Type Activities                    |           |   |            |              | Total<br>Requirements |
|------------------------------|---------------------------------|-----------|---------------------------------|----------|---------------------------------|----------|---|-----------|---|------------|--------------|-----------------------|
|                              | 2004 Sewer<br>Improvement Bonds |           | 2012 Police<br>Renovation Bonds |          | 2012 Police<br>Renovation Bonds |          | 2010 Water<br>Supply System Revenue<br>Bond |           | 2019 Water<br>Water Supply System<br>Revenue Bond |            |              |                       |
|                              | Principal                       | Interest  | Principal                       | Interest | Principal                       | Interest | Principal                                   | Interest  | Principal   | Interest   |              |                       |
| 2023                         | \$ 85,000                       | \$ 11,515 | \$ 10,000                       | \$ 2,138 | \$ 6,000                        | \$ 1,238 | \$ 50,000                                   | \$ 11,950 | \$ 14,000   | \$ 24,640  | \$ 216,481   |                       |
| 2024                         | 90,000                          | 7,118     | 11,000                          | 1,763    | 6,000                           | 1,014    | 50,000                                      | 10,700    | 15,000  | 24,255     | 216,850      |                       |
| 2025                         | 95,000                          | 2,423     | 12,000                          | 1,350    | 7,000                           | 788      | 55,000                                      | 9,387     | 15,000  | 23,843     | 221,791      |                       |
| 2026                         | -                               | -         | 12,000                          | 900      | 7,000                           | 526      | 55,000                                      | 8,012     | 15,000  | 23,430     | 121,868      |                       |
| 2027                         | -                               | -         | 12,000                          | 450      | 7,000                           | 263      | 55,000                                      | 6,637     | 16,000  | 23,018     | 120,368      |                       |
| 2028                         | -                               | -         | -                               | -        | -                               | -        | 55,000                                      | 5,262     | 16,000  | 22,578     | 98,840       |                       |
| 2029                         | -                               | -         | -                               | -        | -                               | -        | 60,000                                      | 3,825     | 17,000  | 22,138     | 102,963      |                       |
| 2030                         | -                               | -         | -                               | -        | -                               | -        | 60,000                                      | 2,325     | 17,000  | 21,670     | 100,995      |                       |
| 2031                         | -                               | -         | -                               | -        | -                               | -        | 62,991                                      | 781       | 18,000  | 21,203     | 102,975      |                       |
| 2032                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 18,000  | 20,708     | 38,708       |                       |
| 2033                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 19,000  | 20,213     | 39,213       |                       |
| 2034                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 19,000  | 19,690     | 38,690       |                       |
| 2035                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 20,000  | 19,168     | 39,168       |                       |
| 2036                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 20,000  | 18,618     | 38,618       |                       |
| 2037                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 21,000  | 18,068     | 39,068       |                       |
| 2038                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 21,000  | 17,490     | 38,490       |                       |
| 2039                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 22,000  | 16,913     | 38,913       |                       |
| 2040                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 23,000  | 16,308     | 39,308       |                       |
| 2041                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 23,000  | 15,675     | 38,675       |                       |
| 2042                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 24,000  | 15,043     | 39,043       |                       |
| 2043                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 24,000  | 14,383     | 38,383       |                       |
| 2044                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 25,000  | 13,723     | 38,723       |                       |
| 2045                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 26,000  | 13,035     | 39,035       |                       |
| 2046                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 27,000  | 12,320     | 39,320       |                       |
| 2047                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 27,000  | 11,578     | 38,578       |                       |
| 2048                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 28,000  | 10,835     | 38,835       |                       |
| 2049                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 29,000  | 10,065     | 39,065       |                       |
| 2050                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 30,000  | 9,268      | 39,268       |                       |
| 2051                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 30,000  | 8,443      | 38,443       |                       |
| 2052                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 31,000  | 7,618      | 38,618       |                       |
| 2053                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 32,000  | 6,765      | 38,765       |                       |
| 2054                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 33,000  | 5,885      | 38,885       |                       |
| 2055                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 34,000  | 4,978      | 38,978       |                       |
| 2056                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 35,000  | 4,043      | 39,043       |                       |
| 2057                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 36,000  | 3,080      | 39,080       |                       |
| 2058                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 37,000  | 2,090      | 39,090       |                       |
| 2059                         | -                               | -         | -                               | -        | -                               | -        | -   | -         | 39,000  | 1,064      | 40,064       |                       |
|                              | \$ 270,000                      | \$ 21,056 | \$ 57,000                       | \$ 6,601 | \$ 33,000                       | \$ 3,829 | \$ 502,991                                  | \$ 58,879 | \$ 896,000  | \$ 543,842 | \$ 2,393,198 |                       |

| <b>Fiscal Year</b> | <b>Population</b> | <b>Personal Income<br/>(amounts expressed<br/>in thousands)</b> | <b>Per Capita<br/>Personal Income</b> | <b>Median Age</b> | <b>Education<br/>Level in<br/>Years of<br/>Formal<br/>Schooling</b> | <b>School Enrollment</b> | <b>Unemployment Rate</b> |
|--------------------|-------------------|---|---------------------------------------|-------------------|---|--------------------------|--------------------------|
| 2013               | 2,950             | n/a   | n/a                                   | n/a               | n/a   | n/a                      | n/a                      |
| 2014               | 2,933             | n/a   | n/a                                   | n/a               | n/a   | n/a                      | n/a                      |
| 2015               | 2,933             | n/a   | n/a                                   | n/a               | n/a   | n/a                      | n/a                      |
| 2016               | 2,933             | n/a   | n/a                                   | n/a               | n/a   | n/a                      | n/a                      |
| 2017               | 2,933             | n/a   | n/a                                   | n/a               | n/a   | n/a                      | n/a                      |
| 2018               | 2,933             | n/a   | n/a                                   | n/a               | n/a   | n/a                      | n/a                      |
| 2019               | 2,933             | n/a   | n/a                                   | n/a               | n/a   | n/a                      | n/a                      |
| 2020               | 2,884             | n/a   | n/a                                   | n/a               | n/a   | n/a                      | n/a                      |
| 2021               | 2,884             | n/a   | n/a                                   | n/a               | n/a   | n/a                      | n/a                      |
| 2022               | 2,884             | n/a   | n/a                                   | n/a               | n/a   | n/a                      | n/a                      |

The population for 2012 through 2013 is based on the 2010 U.S. Census. Information is no longer available for cities of our size.

The population for 2014 through 2019 is estimated based on available information.

The population for 2020 through 2022 is based on the 2019 U.S. Census. Information is no longer available for cities of our size.

Population demographic information is no longer available for cities of our size.

## City of Gladwin, Michigan

### Principal Employers Current Year and Ten Years Ago

| <u>Employer</u>                      | <u>2022</u>      |             |  | <u>2013</u>      |             |  |
|--------------------------------------|------------------|-------------|--|------------------|-------------|--|
|                                      | <u>Employees</u> | <u>Rank</u> | <u>Percentage<br/>of Total City<br/>Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage<br/>of Total City<br/>Employment</u> |
| Saint-Gobain Performance Plastics    | 385              | 1           | n/a  | *                |             |  |
| Brown Machine Group                  | 240              | 2           | n/a  | *                |             |  |
| Gladwin School District              | 225              | 3           | n/a  | 235              | 1           | n/a  |
| Mid Michigan Medical Center          | 180              | 4           | n/a  | 200              | 2           | n/a  |
| Gladwin Pines Nursing & Rehab Center | 141              | 5           | n/a  | 108              | 4           | n/a  |
| Loose Plastics                       | 115              | 6           | n/a  | 44               | 9           | n/a  |
| County of Gladwin                    | 114              | 7           | n/a  | 120              | 3           | n/a  |
| East Jordan Plastics                 | 100              | 8           | n/a  | *                |             |  |
| Beaverton Schools                    | 94               | 9           | n/a  | *                |             |  |
| Roll-Rite                            | 85               | 10          | n/a  | *                |             |  |
| Gladwin City Housing Commission      | **               |             |  | 50               | 8           | n/a  |
| D&W Fine Pack                        | **               |             |  | 65               | 5           | n/a  |
| Family Fare Supermarkets             | **               |             |  | 63               | 6           | n/a  |
| McDonald's Restaurant                | **               |             |  | 60               | 7           | n/a  |
| City of Gladwin                      | **               |             |  | *                |             |  |
| Chemical Bank                        | **               |             |  | 40               | 10          | n/a  |

\* Not a top 10 employer for 2022

\*\* Not one of the top employers for 2013

Source: Gladwin County Chamber of Commerce

# City of Gladwin, Michigan

## Full-Time Equivalent City Government Employee by Function Last Ten Fiscal Years

| Function              | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------|------|------|------|------|------|------|------|------|------|------|
| General government    | 6.0  | 5.5  | 5.5  | 5.5  | 5.5  | 6.0  | 6.0  | 6.0  | 6.0  | 6.0  |
| Public safety:        |      |      |      |      |      |      |      |      |      |      |
| Police:               |      |      |      |      |      |      |      |      |      |      |
| Officers              | 8.5  | 7.5  | 7.5  | 7.5  | 7.5  | 6.5  | 7.0  | 6.5  | 7.0  | 7.5  |
| Civilians             | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 2.0  | 1.5  |
| Highways and streets: |      |      |      |      |      |      |      |      |      |      |
| Engineering           |      |      |      |      |      |      |      |      |      |      |
| Maintenance           | 2.0  | 2.0  | 2.0  | 2.0  | 2.0  | 1.0  | 3.0  | 3.0  | 3.0  | 2.0  |
| Recreation & culture  | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 1.5  | 1.5  | 1.5  | 1.0  | 3.5  |
| Water                 | 2.0  | 2.0  | 2.0  | 2.0  | 2.0  | 2.0  | 2.0  | 2.0  | 2.0  | 3.0  |
| Sewer                 | 2.0  | 2.0  | 2.0  | 2.0  | 2.5  | 2.5  | 2.0  | 2.0  | 2.0  | 2.0  |
| Total                 | 22.5 | 21.0 | 21.0 | 21.0 | 21.5 | 20.5 | 22.5 | 22.0 | 23.0 | 25.5 |

Source: City of Gladwin governmental departments

## City of Gladwin, Michigan

### Operating Indicators by Function Last Ten Fiscal Years

| Function   | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Police   |       |       |       |       |       |       |       |       |       |       |
| Arrests and Apprehensions                                | 425   | 309   | 399   | 374   | 421   | 218   | 263   | 445   | 258   | 255   |
| Complaints   | 791   | 675   | 715   | 583   | 590   | 574   | 660   | 399   | 359   | 491   |
| Traffic Citations  | 610   | 545   | 470   | 392   | 433   | 312   | n/a   | 359   | 416   | 405   |
| Recreation & culture                                     |       |       |       |       |       |       |       |       |       |       |
| Campers admitted   | 2,865 | 3,213 | 4,359 | 4,699 | 4,503 | 4,106 | 3,800 | 653   | 2,115 | 2,456 |
| Day use passes issued                                    | 1,268 | 1,893 | 2,109 | 2,290 | 2,530 | 3,090 | 2,145 | 1,851 | 1,635 | 2,120 |
| Water  |       |       |       |       |       |       |       |       |       |       |
| New connections  | -     | -     | 2     | -     | 1     | 3     | 4     | 2     | 12    | 4     |
| Water main breaks  | 2     | 4     | 5     | 2     | 1     | 1     | -     | -     | 3     | 1     |
| Average daily consumption<br>(thousands of gallons)      | 342   | 346   | 317   | 342   | 300   | 300   | 232   | 310   | 310   | 310   |
| Wastewater   |       |       |       |       |       |       |       |       |       |       |
| Average daily sewage treatment<br>(thousands of gallons) | 520   | 520   | 550   | 640   | 750   | 550   | 710   | 620   | 650   | 520   |

Sources: City of Gladwin government departments

Note: Indicators are not available for the general government function

# City of Gladwin, Michigan

## Capital Asset Statistics by Function Last Ten Fiscal Years

| Function                        | 2013      | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      | 2022      |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Police                          |           |           |           |           |           |           |           |           |           |           |
| Stations                        | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1         |
| Patrol units                    | 4         | 4         | 4         | 4         | 4         | 4         | 4         | 4         | 4         | 3         |
| Streets & highways              |           |           |           |           |           |           |           |           |           |           |
| Streets (miles)                 | 25.6      | 25.6      | 25.6      | 25.6      | 25.6      | 25.6      | 25.6      | 25.6      | 25.6      | 25.6      |
| Traffic signals                 | 2         | 3         | 3         | 3         | 3         | 3         | 3         | 3         | 3         | 3         |
| Recreation & culture            |           |           |           |           |           |           |           |           |           |           |
| Parks acreage                   | 48.45     | 48.45     | 48.45     | 48.45     | 48.45     | 48.45     | 48.45     | 48.45     | 48.45     | 48.45     |
| Parks                           | 2         | 2         | 2         | 2         | 2         | 2         | 2         | 2         | 2         | 2         |
| Community centers               | 1         | -         | -         | -         | -         | -         | -         | 1         | 1         | -         |
| Water                           |           |           |           |           |           |           |           |           |           |           |
| Water mains (miles)             | 25.3      | 25.3      | 25.3      | 25.3      | 25.3      | 25.3      | 25.3      | 25.3      | 25.3      | 25.3      |
| Fire hydrants                   | 226       | 226       | 228       | 228       | 228       | 228       | 228       | 228       | 228       | 228       |
| Maximum daily capacity (gal)    | 1,656,000 | 1,656,000 | 1,656,000 | 1,656,000 | 1,656,000 | 1,656,000 | 1,656,000 | 1,656,000 | 1,656,000 | 1,656,000 |
| Average daily consumption (gal) | 342,000   | 346,000   | 317,000   | 317,000   | 317,000   | 317,000   | 317,000   | 310,000   | 310,000   | 409,075   |
| Wastewater                      |           |           |           |           |           |           |           |           |           |           |
| Sanitary sewers (miles)         | 21        | 21        | 21        | 21        | 21        | 21        | 21        | 21        | 21        | 21        |
| Storm sewers (miles)            | 7.6       | 8.6       | 8.6       | 8.6       | 8.6       | 8.6       | 8.6       | 8.6       | 8.6       | 8.6       |
| Maximum daily capacity (gal)    | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| Average daily treatment (gal)   | 520,000   | 520,000   | 550,000   | 550,000   | 550,000   | 550,000   | 710,000   | 620,000   | 650,000   | 520,000   |

Sources: City of Gladwin government departments

Note: No capital asset indicators are available for the general government function

## **Report on Compliance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

KENNETH A. TALSMA, CPA, PRINCIPAL  
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA  
LESLIE A. BOHN, CPA  
TORI N. KRUISE, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S 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 Gladwin  
Gladwin, MI 49660

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gladwin, Michigan as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Gladwin, Michigan's basic financial statements and have issued our report thereon dated November 28, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Gladwin, Michigan's internal control over financial reporting (internal control) as a basis for designing 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 of Gladwin, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Gladwin, Michigan'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.

To the City Council  
City of Gladwin

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 there were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identify a certain deficiency in internal control, described in the accompany schedule of findings and responses as item 2022-001 that we consider to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Gladwin, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2022-001.

### **City of Gladwin, Michigan's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Gladwin, Michigan's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City of Gladwin, Michigan's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 result 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.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**  
**Kincheloe, Michigan**

November 28, 2022

*Significant Deficiencies – Noncompliance with State Statutes*

**Excess Expenditures Over Appropriations**

***Finding 2022-001***

*Condition:* Our examination indicated instances of noncompliance with the provisions of Public Act 2 of 1968, the Uniform Budgeting and Accounting Act.

The City's 2022 General Appropriations Act (budget) provided for expenditures of the following funds to be controlled to the activity level. During the fiscal year ended June 30, 2022, expenditures were incurred in excess of amounts appropriated in the amended budgets.

*Criteria:* The expenditures of funds in excess of appropriations are contrary to the provisions of Public Act 2 of 1968, the Uniform Budgeting and Accounting Act.

During the year ended June 30, 2022, the City incurred expenditures in one budgetary fund, which was in excess of the amount appropriated as follows:

|                     | <u>Total<br/>Appropriations</u> | <u>Amount of<br/>Expenditures</u> | <u>Budget<br/>Variance</u> |
|---------------------|---------------------------------|-----------------------------------|----------------------------|
| Local Streets Fund: |                                 |                                   |                            |
| Public Works        | \$ 75,641                       | \$ 94,471                         | \$ (18,830)                |

*Cause:* The City had a road project scheduled for July 2022, which is how the related expenditures were budgeted. The contractors for the project started the project on June 30, 2022 causing such expenditures to be charged to the 2021-2022 fiscal year instead of the 2022-2023 fiscal year as it had been originally planned.

*Effect:* The City has not complied with State Statutes.

*Recommendation:* The City should follow the State Law that requires City Governmental Funds have budgets for its funds approved before the fiscal year commences.

*Management's Response – Corrective Action Plan:* Management does monitor budgets closely and perform budget amendments on a timely basis. We will work to implement budget amendments as soon as information becomes available to us; however, because the budgets lapse at year end amendments can only be made as information becomes available.

- Contact Person(s) Responsible for Correction:  
Angela Bigham, Treasurer



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

To the City Council  
City of Gladwin  
Gladwin, MI 48624

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gladwin, Michigan for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our letter to you dated September 9, 2022. Professional standards also require that we communicate to you the following information about our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards***

As stated in our engagement letter dated September 9, 2022, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis and defined benefit pension plan (MERS), which supplement(s) the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

As part of obtaining reasonable assurance about whether the City of Gladwin, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. While our audit will provide a reasonable basis for our opinion, it does not provide a legal determination on the City of Gladwin, Michigan's compliance with those requirements.

We have been engaged to report on combining fund financial statements, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have not been engaged to report on the statistical section, which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on September 9, 2022.

### **Significant Audit Matters**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Gladwin, Michigan are described in Note 1 to the financial statements. As described in Note 12 to the financial statements, the City of Gladwin, Michigan changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87, *Leases* in 2022. The application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued vested employee benefits is based on current hourly rates and policies regarding payment of sick and vacation banks. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimates for pension benefits were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### ***Disagreement with Management***

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

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated November 28, 2022.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### ***Comments and Recommendations***

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted no material matters involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with Government Auditing Standards of the basic financial statement audit report.

### ***State of Michigan Chart of Accounts (Prior Year)***

It was noted in our review of the general ledger that the City currently has multiple items that are not in compliance with the State of Michigan's chart of accounts. We recommend that the City review their ledger and the state chart of accounts and make changes necessary to ensure compliance with state statute.

Status: Corrected.

### **New Pronouncements**

The GASB has issued the following statements and implementation guides:

1. Statement No. 91, "Conduit Debt Obligations." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2022.
2. Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023.
3. Statement No. 96, "Subscription-Based Information Technology Arrangements." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023.

Earlier application of these statements is encouraged. For the original pronouncements and the implementation guides, please visit the GASB's website, [www.gasb.org](http://www.gasb.org).

### **Other Matters**

We applied certain limited procedures to the management's discussion and analysis and defined benefit pension plan (MERS), which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and our knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquires of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **Restriction on Use**

This information is intended solely for the use of the Mayor, City Council and management of the City of Gladwin, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**  
**Kincheloe, Michigan**

November 28, 2022