
City of Davison, Michigan

**Financial Report
with Supplemental Information
June 30, 2021**

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Independent Auditor's Report

To the City Council
City of Davison, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Davison, Michigan (the "City") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the City of Davison, Michigan's financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Davison, Michigan as of June 30, 2021 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, during the year ended June 30, 2021, the City adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which provides guidance on the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

To the City Council
City of Davison, Michigan

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.



November 23, 2021

This section of the City of Davison, Michigan's (the "City") annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City's total net position is approximately \$5.0 million.
- The City's overall unrestricted net position is a deficit of approximately \$7.4 million.
- General Fund revenue exceeded expenditures by approximately \$248 thousand, leaving the General Fund with a fund balance of \$1,614,797.

Using This Annual Report

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

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

The City's Net Position

The following tables show, in a condensed format, the current year's net position and changes in net position compared to the prior year:

	Governmental Activities			
	2020	2021	Change	Percent Change
Assets				
Other assets	\$ 5,074,310	\$ 5,990,704	\$ 916,394	18.1
Capital assets	5,482,157	5,211,567	(270,590)	(4.9)
Total assets	10,556,467	11,202,271	645,804	6.1
Deferred Outflows of Resources	1,155,298	996,171	(159,127)	(13.8)
Liabilities				
Current liabilities	146,990	238,935	91,945	62.6
Long-term liabilities	10,944,023	11,047,582	103,559	0.9
Total liabilities	11,091,013	11,286,517	195,504	1.8
Deferred Inflows of Resources	706,224	859,479	153,255	21.7
Net Position (Deficit)				
Investment in capital assets	4,670,594	4,485,004	(185,590)	(4.0)
Restricted	2,207,440	2,491,281	283,841	12.9
Unrestricted	(6,963,506)	(6,923,839)	39,667	(0.6)
Total net position (deficit)	\$ (85,472)	\$ 52,446	\$ 137,918	(161.4)

Management's Discussion and Analysis (Continued)

	Business-type Activities			
	2020	2021	Change	Percent Change
Assets				
Other assets	\$ 4,148,504	\$ 4,916,214	\$ 767,710	18.5
Capital assets	6,313,671	6,043,061	(270,610)	(4.3)
Total assets	10,462,175	10,959,275	497,100	4.8
Deferred Outflows of Resources	488,901	404,326	(84,575)	(17.3)
Liabilities				
Current liabilities	101,498	127,177	25,679	25.3
Long-term liabilities	6,618,015	5,972,935	(645,080)	(9.7)
Total liabilities	6,719,513	6,100,112	(619,401)	(9.2)
Deferred Inflows of Resources	347,023	348,052	1,029	0.3
Net Position				
Investment in capital assets	4,533,690	4,643,080	109,390	2.4
Restricted	825,734	780,448	(45,286)	(5.5)
Unrestricted	(1,474,884)	(508,091)	966,793	(65.6)
Total net position	<u>\$ 3,884,540</u>	<u>\$ 4,915,437</u>	<u>\$ 1,030,897</u>	26.5

Governmental Activities

The governmental net position increased by 161.4 percent from a year ago, increasing from a deficit of \$(85,472) to \$52,446. The increase was due primarily to increases in other assets.

Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by \$39,667 for the governmental activities. This represents an increase of approximately 0.6 percent. The current level of unrestricted net position for our governmental activities stands at \$(6,923,839).

Business-type Activities

The net position of business-type activities increased by 26.5 percent from a year ago, increasing from \$3,884,540 to \$4,915,437.

Unrestricted net position of business-type activities increased by \$966,793, approximately 65.6 percent. The current level of unrestricted net position stands at a deficit of \$(508,091).

City of Davison, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities			
	2020	2021	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 737,394	\$ 807,168	\$ 69,774	9.5
Operating grants	550,158	709,733	159,575	29.0
Capital grants	174,220	101,758	(72,462)	(41.6)
General revenue:				
Property taxes	1,608,663	1,671,161	62,498	3.9
State-shared revenue	559,154	730,484	171,330	30.6
Investment earnings	19,389	12,104	(7,285)	(37.6)
Other revenue	187,589	153,870	(33,719)	(18.0)
Total revenue	3,836,567	4,186,278	349,711	9.1
Expenses				
General government	683,998	748,365	64,367	9.4
Public safety	1,398,182	1,608,954	210,772	15.1
Public works	1,245,612	1,400,351	154,739	12.4
Community and economic development	6,675	7,567	892	13.4
Recreation and culture	202,161	270,971	68,810	34.0
Debt service	13,534	12,152	(1,382)	(10.2)
Total expenses	3,550,162	4,048,360	498,198	14.0
Change in Net Position	286,405	137,918	(148,487)	(51.8)
Net Position (Deficit) - Beginning of year	(371,877)	(85,472)	286,405	(77.0)
Net Position (Deficit) - End of year	\$ (85,472)	\$ 52,446	\$ 137,918	(161.4)
	Business-type Activities			
	2020	2021	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 2,881,680	\$ 2,974,644	\$ 92,964	3.2
Operating grants	85,012	106,570	21,558	25.4
General revenue - Investment earnings	6,251	550	(5,701)	(91.2)
Total revenue	2,972,943	3,081,764	108,821	3.7
Operating Expenses	2,718,401	2,050,867	(667,534)	(24.6)
Change in Net Position	254,542	1,030,897	776,355	305.0
Net Position - Beginning of year	3,629,998	3,884,540	254,542	7.0
Net Position - End of year	\$ 3,884,540	\$ 4,915,437	\$ 1,030,897	26.5

Governmental Activities

The City's total governmental revenue increased by \$349,711, or 9.1 percent. This was due primarily to an increase in operating grants and state-shared revenue.

Expenses increased by \$498,198, or 14.0 percent, during the year. This was due primarily to an increase in public safety and public works resulting from an increase in projects performed during the year.

Business-type Activities

The City's total business-type revenue increased by \$108,821, or 3.7 percent. This was due primarily to an increase in charges for services.

Expenses decreased by \$667,534, or 24.6 percent, during the year. This was due primarily to a decrease in pension and OPEB expense resulting from a change in these respective liabilities.

The City's Funds

Our analysis of the City's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes and to show accountability for certain activities, such as special property tax millages. The City's major funds for 2021 include the General Fund, Major Streets Fund, and Local Streets Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$1.4 million in 2021. Police services are partially supported by a 1.4980 mill levy, which is designated specifically for police protection.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. City departments overall stayed below budget, resulting in total expenditures of approximately \$132 thousand under budget. That resulted in an overall increase in General Fund fund balance of approximately \$248 thousand, which is higher than the amended budgeted change of approximately \$152 thousand.

Capital Assets and Debt Administration

At the end of 2021, the City had invested approximately \$9.1 million in capital assets, net of related debt. Capital assets, as stated in this annual financial report, do not include some prior year infrastructure items, such as sidewalks and streets. Financial reporting in past years has not required some infrastructure items to be included with capital assets. Recognizing the problem of having cities gather together all of the required information, the GASB has allowed cities to comply with this portion of Statement No. 34 prospectively. Additional information on the City's capital assets can be found in Note 5 of this report.

At year end, the City had approximately \$727 thousand in bonds and other debt outstanding for governmental activities and approximately \$1.4 million in bonds and other debt outstanding for business-type activities. The City had commenced an inflow and infiltration project in 2009, which is being funded with general obligation bonds. The general obligation bonds will be repaid through a 1.3441 mill levy approved by the voters. Additional information on the City's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The COVID-19 pandemic has continued throughout this year, yet the finances of the City have remained stable. This City is well positioned to navigate the post-pandemic financial landscape. Overall, we expect no significant change in total revenue, with the exception of potential reduced Act 51 funding from the State. Property tax revenue is expected to be unchanged. In the next fiscal year, the City will begin work on a major road project and purchase a large piece equipment in the Water and Sewer funds.

Requests for Further Information

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City of Davison, Michigan, 200 E. Flint Street, Davison, MI 48423.

June 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 4,482,537	\$ 3,559,142	\$ 8,041,679	\$ 205,401
Receivables	351,740	737,839	1,089,579	-
Internal balances	(2,932)	2,932	-	-
Inventory	29,001	-	29,001	-
Prepaid expenses and other assets	59,188	9,434	68,622	6,871
Restricted assets (Note 1)	-	606,867	606,867	-
Investment in joint ventures	1,071,170	-	1,071,170	-
Land held for resale (Note 1)	-	-	-	79,880
Capital assets: (Note 5)				
Assets not subject to depreciation	1,470,882	1,000	1,471,882	-
Assets subject to depreciation - Net	3,740,685	6,042,061	9,782,746	2,123
Total assets	11,202,271	10,959,275	22,161,546	294,275
Deferred Outflows of Resources				
Deferred pension costs (Note 8)	733,404	286,272	1,019,676	-
Deferred OPEB costs (Note 9)	262,767	118,054	380,821	-
Total deferred outflows of resources	996,171	404,326	1,400,497	-
Liabilities				
Accounts payable	158,763	82,528	241,291	1,783
Due to other governmental units	4,641	-	4,641	-
Deposits	-	15,434	15,434	-
Accrued liabilities and other	75,531	29,215	104,746	-
Noncurrent liabilities:				
Due within one year: (Note 7)				
Compensated absences	82,295	12,495	94,790	-
Current portion of long-term debt	85,000	390,000	475,000	-
Due in more than one year:				
Net OPEB obligation (Note 9)	5,095,669	2,289,360	7,385,029	-
Net pension liability (Note 8)	5,143,055	2,271,099	7,414,154	-
Long-term debt (Note 7)	641,563	1,009,981	1,651,544	-
Total liabilities	11,286,517	6,100,112	17,386,629	1,783
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 8)	302,321	97,736	400,057	-
Deferred OPEB cost reductions (Note 9)	557,158	250,316	807,474	-
Total deferred inflows of resources	859,479	348,052	1,207,531	-
Net Position				
Net investment in capital assets	4,485,004	4,643,080	9,128,084	2,123
Restricted for:				
Street maintenance and construction	1,752,651	-	1,752,651	-
Debt service	717,983	-	717,983	-
Rubbish collections	20,647	-	20,647	-
Capital projects	-	173,581	173,581	-
Revenue bond reserve	-	606,867	606,867	-
Unrestricted	(6,923,839)	(508,091)	(7,431,930)	290,369
Total net position	\$ 52,446	\$ 4,915,437	\$ 4,967,883	\$ 292,492

City of Davison, Michigan

Functions/Programs	Program Revenue			Capital Grants and Contributions
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 748,365	\$ 461,925	\$ 123,527	\$ 101,758
Public safety	1,608,954	22,254	-	-
Public works	1,400,351	313,234	586,206	-
Community and economic development	7,567	-	-	-
Recreation and culture	270,971	9,755	-	-
Interest on long-term debt	12,152	-	-	-
Total governmental activities	4,048,360	807,168	709,733	101,758
Business-type activities:				
Sewer Fund	1,005,086	1,303,016	106,570	-
Water Fund	1,045,781	1,671,628	-	-
Total business-type activities	2,050,867	2,974,644	106,570	-
Total primary government	\$ 6,099,227	\$ 3,781,812	\$ 816,303	\$ 101,758
Component units:				
Downtown Development Authority	\$ 65,377	\$ -	\$ -	\$ -
Local Development Finance Authority	2,950	-	-	-
Total component units	\$ 68,327	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Franchise fees				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position (Deficit) - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2021

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (61,155)	\$ -	\$ (61,155)	\$ -
(1,586,700)	-	(1,586,700)	-
(500,911)	-	(500,911)	-
(7,567)	-	(7,567)	-
(261,216)	-	(261,216)	-
(12,152)	-	(12,152)	-
(2,429,701)	-	(2,429,701)	-
-	404,500	404,500	-
-	625,847	625,847	-
-	1,030,347	1,030,347	-
(2,429,701)	1,030,347	(1,399,354)	-
-	-	-	(65,377)
-	-	-	(2,950)
-	-	-	(68,327)
1,671,161	-	1,671,161	81,925
730,484	-	730,484	36,002
12,104	-	12,104	10
85,941	-	85,941	-
67,929	550	68,479	12,002
2,567,619	550	2,568,169	129,939
137,918	1,030,897	1,168,815	61,612
(85,472)	3,884,540	3,799,068	230,880
\$ 52,446	\$ 4,915,437	\$ 4,967,883	\$ 292,492

Governmental Funds
Balance Sheet

June 30, 2021

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (Note 3)	\$ 1,560,696	\$ 1,104,746	\$ 554,167	\$ 765,980	\$ 3,985,589
Receivables:					
Property taxes receivable	1,725	-	-	-	1,725
Other receivables	42,098	-	-	20,889	62,987
Due from other governments	183,332	65,782	25,015	-	274,129
Due from other funds (Note 6)	1,035	9,258	21	-	10,314
Inventory	29,001	-	-	-	29,001
Prepaid expenses and other assets	56,308	406	257	-	56,971
Total assets	\$ 1,874,195	\$ 1,180,192	\$ 579,460	\$ 786,869	\$ 4,420,716
Liabilities					
Accounts payable	\$ 108,906	\$ 420	\$ 628	\$ 48,239	\$ 158,193
Due to other governmental units	4,641	-	-	-	4,641
Due to other funds (Note 6)	12,651	-	640	-	13,291
Accrued liabilities and other	66,100	2,126	3,187	-	71,413
Total liabilities	192,298	2,546	4,455	48,239	247,538
Deferred Inflows of Resources -					
Unavailable revenue (Note 1)	67,100	-	-	-	67,100
Total liabilities and deferred inflows of resources	259,398	2,546	4,455	48,239	314,638
Fund Balances					
Nonspendable:					
Inventory	29,001	-	-	-	29,001
Prepays	56,308	406	257	-	56,971
Restricted:					
Street maintenance and construction	-	1,177,240	574,748	-	1,751,988
Debt service	-	-	-	717,983	717,983
Rubbish collections	-	-	-	20,647	20,647
Assigned - Subsequent year's budget	45,800	-	-	-	45,800
Unassigned	1,483,688	-	-	-	1,483,688
Total fund balances	1,614,797	1,177,646	575,005	738,630	4,106,078
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,874,195	\$ 1,180,192	\$ 579,460	\$ 786,869	\$ 4,420,716

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2021

Fund Balances Reported in Governmental Funds	\$ 4,106,078
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	4,943,657
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	67,100
Investments in joint ventures are not financial resources and are not reported in the funds	1,071,170
Bonds payable are not due and payable in the current period and are not reported in the funds	(726,563)
Accrued interest is not due and payable in the current period and is not reported in the funds	(2,952)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(82,295)
Net pension liability does not present a claim on current financial resources and is not reported as a fund liability	(5,143,055)
Other postemployment benefit obligations do not present a claim on current financial resources and are not reported as fund liabilities	(5,095,669)
Deferred outflows of resources related to pensions	733,404
Deferred outflows of resources related to OPEB	262,767
Deferred inflows of resources related to pensions	(302,321)
Deferred inflows of resources related to OPEB	(557,158)
Internal service funds are included as part of governmental activities	778,283
Net Position of Governmental Activities	\$ 52,446

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2021

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 1,518,238	\$ -	\$ -	\$ 152,923	\$ 1,671,161
Special assessments	-	-	-	310,380	310,380
Intergovernmental:					
Federal grants	123,527	-	-	-	123,527
State sources	670,060	424,209	161,997	96,551	1,352,817
Charges for services	26,899	-	-	-	26,899
Fines and forfeitures	8,901	-	-	-	8,901
Licenses and permits	18,474	-	-	-	18,474
Interest and rentals:					
Investment earnings	4,771	135	87	5,473	10,466
Rental income	87,894	-	-	-	87,894
Other revenue:					
Miscellaneous income	102,082	-	-	-	102,082
Cable franchise fees	85,941	-	-	-	85,941
Total revenue	2,646,787	424,344	162,084	565,327	3,798,542
Expenditures					
Current services:					
General government	351,497	-	-	-	351,497
Public safety	1,390,061	16,577	-	-	1,406,638
Public works	435,735	196,208	137,059	420,573	1,189,575
Community and economic development	7,567	-	-	-	7,567
Recreation and culture	214,320	-	-	-	214,320
Debt service:					
Principal	-	-	-	85,000	85,000
Interest on long-term debt	-	-	-	12,497	12,497
Total expenditures	2,399,180	212,785	137,059	518,070	3,267,094
Net Change in Fund Balances	247,607	211,559	25,025	47,257	531,448
Fund Balances - Beginning of year	1,367,190	966,087	549,980	691,373	3,574,630
Fund Balances - End of year	<u>\$ 1,614,797</u>	<u>\$ 1,177,646</u>	<u>\$ 575,005</u>	<u>\$ 738,630</u>	<u>\$ 4,106,078</u>

Governmental Funds

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances to the Statement of Activities**

Year Ended June 30, 2021

Net Change in Fund Balances Reported in Governmental Funds	\$	531,448
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Capital outlay		122,151
Depreciation expense		(285,765)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available		67,100
Changes in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported in the fund statements until they come due for payment		7,031
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)		85,000
Change in investment in joint venture		95,185
Change in accrued interest payable		345
The change in the net pension liability is recorded when incurred in the statement of activities		(18,649)
The change in the net OPEB liability is recorded when incurred in the statement of activities		(176,941)
Change in deferred outflows of resources related to pensions is recorded in the statement of activities		(8,152)
Change in deferred outflows of resources related to OPEB is recorded in the statement of activities		(150,975)
Change in deferred inflows of resources related to pensions is recorded in the statement of activities		(298,563)
Change in deferred inflows of resources related to OPEB is recorded in the statement of activities		145,308
Internal service funds are included as part of governmental activities		23,395
Change in Net Position of Governmental Activities	\$	<u>137,918</u>

Proprietary Funds
Statement of Net Position

June 30, 2021

	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total Enterprise Funds	Proprietary Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 1,989,647	\$ 1,569,495	\$ 3,559,142	\$ 496,948
Receivables:				
Customer receivables	349,407	388,432	737,839	-
Other receivables	-	-	-	12,899
Due from other funds	120	3,207	3,327	45
Prepaid expenses and other assets	3,151	6,283	9,434	2,217
Total current assets	2,342,325	1,967,417	4,309,742	512,109
Noncurrent assets:				
Restricted assets (Note 1)	-	606,867	606,867	-
Capital assets - Net (Note 5)	1,032,141	5,010,920	6,043,061	267,910
Total noncurrent assets	1,032,141	5,617,787	6,649,928	267,910
Total assets	3,374,466	7,585,204	10,959,670	780,019
Deferred Outflows of Resources				
Deferred pension costs (Note 8)	110,815	175,457	286,272	-
Deferred OPEB costs (Note 9)	45,698	72,356	118,054	-
Total deferred outflows of resources	156,513	247,813	404,326	-
Liabilities				
Current liabilities:				
Accounts payable	76,084	6,444	82,528	570
Due to other funds (Note 6)	56	339	395	-
Deposits	-	15,434	15,434	-
Accrued liabilities and other	5,313	23,902	29,215	1,166
Compensated absences (Note 7)	3,404	9,091	12,495	-
Current portion of long-term debt (Note 7)	-	390,000	390,000	-
Total current liabilities	84,857	445,210	530,067	1,736
Noncurrent liabilities:				
Net pension liability (Note 8)	879,134	1,391,965	2,271,099	-
Net OPEB obligation (Note 9)	886,204	1,403,156	2,289,360	-
Long-term debt (Note 7)	-	1,009,981	1,009,981	-
Total noncurrent liabilities	1,765,338	3,805,102	5,570,440	-
Total liabilities	1,850,195	4,250,312	6,100,507	1,736
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 8)	37,834	59,902	97,736	-
Deferred OPEB cost reductions (Note 9)	96,896	153,420	250,316	-
Total deferred inflows of resources	134,730	213,322	348,052	-
Net Position				
Net investment in capital assets	1,032,141	3,610,939	4,643,080	267,910
Restricted:				
Capital improvement	77,349	96,232	173,581	-
Revenue bond reserve	-	606,867	606,867	-
Unrestricted (deficit)	436,564	(944,655)	(508,091)	510,373
Total net position	\$ 1,546,054	\$ 3,369,383	\$ 4,915,437	\$ 778,283

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

Year Ended June 30, 2021

	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Proprietary Internal Service Fund
Operating Revenue				
Sale of water	\$ -	\$ 1,604,932	\$ 1,604,932	\$ -
Sewage disposal charges	1,300,840	-	1,300,840	-
Other sales to customers	-	6,350	6,350	-
Miscellaneous	2,176	60,346	62,522	-
Charges to other funds	-	-	-	317,197
Total operating revenue	1,303,016	1,671,628	2,974,644	317,197
Operating Expenses				
Cost of sewage treatment	471,674	-	471,674	-
Wages and benefits	230,116	472,756	702,872	109,635
Supplies	28,036	72,193	100,229	20,052
Heat, light, and power	7,642	81,544	89,186	-
Equipment maintenance and repair	67,309	92,513	159,822	46,119
Insurance expense	8,670	11,409	20,079	12,219
Professional fees	12,667	15,849	28,516	-
Miscellaneous	8,089	27,858	35,947	-
Depreciation	52,471	234,791	287,262	115,216
Total operating expenses	886,674	1,008,913	1,895,587	303,241
Operating Income	416,342	662,715	1,079,057	13,956
Nonoperating (Expense) Revenue				
Interest expense	-	(36,868)	(36,868)	-
Other nonoperating expenses	(118,412)	-	(118,412)	-
Gain on sale of assets	-	-	-	5,001
State grants	106,570	-	106,570	-
Investment income	130	420	550	1,638
Total nonoperating (expense) revenue	(11,712)	(36,448)	(48,160)	6,639
Capital Contributions	-	-	-	2,800
Change in Net Position	404,630	626,267	1,030,897	23,395
Net Position - Beginning of year	1,141,424	2,743,116	3,884,540	754,888
Net Position - End of year	<u>\$ 1,546,054</u>	<u>\$ 3,369,383</u>	<u>\$ 4,915,437</u>	<u>\$ 778,283</u>

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2021

	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Proprietary Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,288,387	\$ 1,672,492	\$ 2,960,879	\$ -
(Payments to) receipts from interfund services and reimbursements	(2,707)	(5,559)	(8,266)	316,608
Payments to suppliers	(525,664)	(239,337)	(765,001)	(79,231)
Payments to employees	(392,177)	(604,818)	(996,995)	(109,843)
Other payments	-	-	-	(4,157)
Net cash and cash equivalents provided by operating activities	367,839	822,778	1,190,617	123,377
Cash Flows from Noncapital Financing Activities				
State grants	106,570	-	106,570	-
Other payments	(118,412)	-	(118,412)	-
Net cash and cash equivalents used in noncapital financing activities	(11,842)	-	(11,842)	-
Cash Flows from Capital and Related Financing Activities				
Receipt of capital grants	-	-	-	2,800
Proceeds from sale of capital assets	-	-	-	5,001
Purchase of capital assets	-	(16,652)	(16,652)	(8,240)
Principal and interest paid on capital debt	-	(419,187)	(419,187)	-
Net cash and cash equivalents used in capital and related financing activities	-	(435,839)	(435,839)	(439)
Cash Flows Provided by Investing Activities -				
Interest received on investments	130	420	550	1,638
Net Increase in Cash and Cash Equivalents	356,127	387,359	743,486	124,576
Cash and Cash Equivalents - Beginning of year	1,633,520	1,789,003	3,422,523	372,372
Cash and Cash Equivalents - End of year	\$ 1,989,647	\$ 2,176,362	\$ 4,166,009	\$ 496,948
Statement of Net Position Classification of Cash and Cash Equivalents				
Cash and investments	\$ 1,989,647	\$ 1,569,495	\$ 3,559,142	\$ 496,948
Restricted cash	-	606,867	606,867	-
Total cash and cash equivalents	\$ 1,989,647	\$ 2,176,362	\$ 4,166,009	\$ 496,948

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2021

	Enterprise Funds			Governmental Activities
				Proprietary Internal Service Fund
	Sewer Fund	Water Fund	Total	
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ 416,342	\$ 662,715	\$ 1,079,057	\$ 13,956
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	52,471	234,791	287,262	115,216
Changes in assets and liabilities:				
Receivables	(14,629)	864	(13,765)	(4,157)
Due to and from other funds	(2,707)	(5,559)	(8,266)	(589)
Prepaid and other assets	(83)	57,166	57,083	394
Net pension or OPEB asset	(107,580)	(132,062)	(239,642)	(208)
Accounts payable	57,389	4,863	62,252	(1,235)
Accrued and other liabilities	(33,364)	-	(33,364)	-
Net cash and cash equivalents provided by operating activities	<u>\$ 367,839</u>	<u>\$ 822,778</u>	<u>\$ 1,190,617</u>	<u>\$ 123,377</u>

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2021

	Pension and Other Postemployment Benefit Trust Funds	Custodial Fund - Tax Collection Fund
Assets		
Cash and cash equivalents	\$ 42,906	\$ -
Investments: (Note 4)		
Stocks	195,000	-
Bonds	143,207	-
Real estate	58,063	-
Mutual funds	818,245	-
Interest in pooled investments (Note 4)	1,134,921	-
Receivables	2,486	-
Total assets	2,394,828	-
Liabilities	-	-
Net Position		
Restricted:		
Pension (Note 4)	1,259,907	-
Postemployment benefits other than pension (Note 4)	1,134,921	-
Total net position	\$ 2,394,828	\$ -

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

	Pension and Other Postemployment Benefit Trust Funds	Custodial Fund - Tax Collection Fund
Additions		
Investment income (expense):		
Interest and dividends	\$ 40,136	\$ -
Net increase in fair value of investments	395,338	-
Investment-related expenses	(8,716)	-
Net investment income	426,758	-
Contributions - Employer	479,821	-
Property tax collections	-	4,267,724
Total additions	906,579	4,267,724
Deductions		
Benefit payments	397,617	-
Administrative expenses	5,673	-
Tax distributions to other governments	-	4,267,724
Total deductions	403,290	4,267,724
Net Increase in Fiduciary Net Position	503,289	-
Net Position - Beginning of year - As restated (Note 14)	1,891,539	-
Net Position - End of year	\$ 2,394,828	\$ -

**Component Units
Statement of Net Position**

June 30, 2021

	Downtown Development Authority	Local Development Finance Authority	Total
Assets			
Cash and cash equivalents	\$ 115,951	\$ 89,450	\$ 205,401
Prepaid expenses and other assets	6,871	-	6,871
Land held for resale (Note 1)	-	79,880	79,880
Capital assets - Net (Note 5)	2,123	-	2,123
Total assets	124,945	169,330	294,275
Liabilities - Accounts payable	1,783	-	1,783
Net Position			
Net investment in capital assets	2,123	-	2,123
Unrestricted	121,039	169,330	290,369
Total net position	\$ 123,162	\$ 169,330	\$ 292,492

City of Davison, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Downtown Development Authority	\$ 65,377	\$ -	\$ -	\$ -
Local Development Finance Authority	2,950	-	-	-
Total	\$ 68,327	\$ -	\$ -	\$ -

General revenue:

- Property taxes
- State-shared revenue
- Investment income
- Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Component Units
Statement of Activities

Year Ended June 30, 2021

Net (Expense) Revenue and Changes in Net Position		
Downtown Development Authority	Local Development Finance Authority	Total
\$ (65,377)	\$ -	\$ (65,377)
-	(2,950)	(2,950)
(65,377)	(2,950)	(68,327)
74,470	7,455	81,925
-	36,002	36,002
10	-	10
12,002	-	12,002
86,482	43,457	129,939
21,105	40,507	61,612
102,057	128,823	230,880
\$ 123,162	\$ 169,330	\$ 292,492

June 30, 2021

Note 1 - Significant Accounting Policies

Reporting Entity

The City of Davison, Michigan (the "City") was incorporated in 1939 under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates a council-manager form of government and provides the following services, as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are separate legal entities, in substance they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units

The City of Davison Building Authority's primary purpose is to finance and construct the City's public buildings, and it has been reported as if it were a part of the City's operations because:

- The City has pledged its full faith and credit as a guarantee for the authority's outstanding debt.
- The City is obligated to fund any deficits of the authority.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA's governing body, which consists of nine individuals, is selected by the City Council. In addition, the DDA's budget is subject to approval by the City Council. The DDA does not publish separate financial statements.

Local Development Finance Authority

The Local Development Finance Authority (the "LDFA") was created to aid in the creation and retention of jobs and to promote economic growth in defined areas of the City. The LDFA's governing body, which consists of seven individuals, is selected by the City Council. In addition, the LDFA's budget is subject to approval by the City Council. The LDFA does not publish separate financial statements.

Fiduciary Component Unit

Other Postemployment Benefits Fund

For the Other Postemployment Benefits Fund, management of the OPEB plan is vested in the pension board, which consists of seven members - three elected by plan members, three appointed by the City, and the City Treasurer, who serves as an ex officio member. Although it is legally separate from the City, it is reported as a fiduciary component unit because the City appoints a voting majority to the pension board and the plan imposes a financial burden on the City.

Note 1 - Significant Accounting Policies (Continued)

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the City's water and sewer function and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Major Streets and Local Streets funds account for the City's share of proceeds from gas and weight tax levied by the State and distributed to local governmental units. State law requires that these taxes be used for street maintenance and construction. The City of Davison, Michigan has decided to show these funds as major governmental funds.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following funds as major enterprise funds:

- The Water Fund accounts for the operations of the water distribution system.
- The Sewer Fund accounts for the operations of the sewage pumping collection system.

The City's Internal Service Fund is used to allocate insurance costs and machinery and equipment purchases and maintenance to the various funds on a full accrual basis, so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the City's programs. Activities that are reported as fiduciary include the following:

- The Nonunion Pension Benefit Trust Fund accumulates resources for pension benefit payments to retirees and accounts for the activities of the nonunion pension plan.
- The Other Postemployment Benefits Fund accumulates resources for future retiree health care payments to retirees.
- The Tax Collection Fund collects taxes on behalf of all the taxing authorities.

Interfund Activity

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

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

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the City has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow.

Proprietary funds and fiduciary funds, as applicable, use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Receivables and Payables

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

All trade and property tax receivables are shown as net of an allowance for uncollectible amounts. No allowance has been recorded, as management deems all receivables to be collectible.

Inventories and Prepaid Items

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

Restricted Assets

The revenue bonds of the enterprise funds require amounts to be set aside for debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets and total \$606,867 at June 30, 2021.

Land Held for Resale

The LDFA holds property with the intent to sell the property in the future. The property is recorded at the lower of cost or market in the financial statements.

Note 1 - Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Depreciable Life - Years
Buildings and improvements	10-40
Improvements other than buildings	10-40
Machinery and equipment	5-7
Infrastructure	39-40
Water and sewer lines	40

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The General Fund and Inflow and Infiltration Debt Fund are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The City reports deferred outflows of resources related to the defined benefit pension plans and the OPEB plan. The deferred outflows of resources related to pension and OPEB are reported in the government-wide financial statements and the Water and Sewer funds. Details of the deferred outflows of resources related to pension and OPEB can be found in Notes 8 and 9, respectively.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Note 1 - Significant Accounting Policies (Continued)

The City reports deferred inflows of resources related to the defined benefit pension plans and the OPEB plan. The deferred inflows of resources to pension and OPEB are reported in the government-wide financial statements and the Water and Sewer funds. Details of the deferred inflows of resources related to pension and OPEB can be found in Notes 8 and 9, respectively. The City has unavailable revenue related to the noncancelable lease receivable reported as a deferred inflow of resources, and the revenue is recognized as an inflow of resources in the period that the amount becomes available in the governmental funds.

Net Position

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The City will sometimes fund outlays for a particular purpose from both restricted 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 consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

Committed fund balance classification includes amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.

Note 1 - Significant Accounting Policies (Continued)

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential either to remove or revise a commitment.

Unassigned fund balance represents amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Property Tax Revenue

Properties are assessed as of December 1. The related property taxes become a lien on December 1 of the following year. The taxes are due on February 28, after which point they are added to the county tax rolls and penalties and interest are assessed. Taxes are also levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent after August 31, at which time penalties and interest are assessed.

The City's 2020 tax is levied and collectible on July 1, 2020 and is recognized as revenue in the year ended June 30, 2021 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2020 taxable valuation of the City totaled \$115.9 million (a portion of which is abated and a portion of which is captured by the DDA and the LDFA), on which taxes levied consisted of 12.7298 mills for operating and 1.3441 mills for repayment of debt. This resulted in \$1.4 million for operating and \$153 thousand for debt retirement.

In 1981, the City's Downtown Development Authority entered into tax incremental financing agreements with the City; Genesee County, Michigan; Genesee Intermediate Schools; and Davison Community Schools for a 15-year period. In 1996, this plan was renewed with all units of government except Davison Community Schools for an additional 15 years (Proposal A passed by Michigan taxpayers eliminated the school millage from the calculation of the mills to be used to compute the taxes on the increase in assessed value within the tax increment financing area that can be captured). Also, in 2000, the DDA expanded its boundaries and adopted a new district 2 plan. The current plan was renewed in 2012 and will expire during 2030.

The captured taxable values in excess of the initial taxable values for June 30, 2021 by district are as follows:

District 1	\$	2,080,409
District 2		484,260

The DDA is using the tax increment revenue to improve the plan areas.

In 1997, the Local Development Finance Authority was created to continue for a 30-year period. The main difference between the LDFA Act and the DDA Act is that the LDFA district services manufacturing areas and does not have to be contiguous property. In 1997, the LDFA entered into tax incremental financing agreements with the City of Davison, Michigan and Genesee County, Michigan. The LDFA's tax incremental revenue is calculated by multiplying the millage (of all entities involved) by the captured taxable value (the difference between the current taxable value and the initial taxable value). The initial taxable values were established in 1997 (\$2,753,325).

The captured taxable value in excess of the initial taxable values for June 30, 2021 is \$334,332.

Note 1 - Significant Accounting Policies (Continued)

The LDFA is using the tax increment revenue to improve the plan area.

On April 20, 1998, the City Council of the City of Davison, Michigan adopted a resolution to create the City of Davison Brownfield Redevelopment Authority (the "BRA") and to designate the brownfield zone within which the BRA will exercise its powers. The brownfield zone to which the brownfield plan (the "Plan") applies consists of the properties within the boundaries of the City of Davison, Michigan. The LDFA has agreed to supervise and control the Brownfield Redevelopment Authority.

The purpose of the Plan, to be implemented by the BRA, is to satisfy the requirement for a brownfield plan, as specified in Section 13 of Act No. 381 of the Public Acts of 1996 MCLA 125.2651 et. seq., which is known as the Brownfield Redevelopment Financing Act.

The BRA has initially identified the following parcels of real estate that require, or which may require, undertaking certain eligible response activities to facilitate redevelopment under the Plan:

1. The former Independent Oil Company site, a facility located within the boundaries of the Downtown Development Authority, contains one or more underground storage tank(s) and contaminated soils and groundwater requiring phase II and baseline environmental assessments, due care, and additional response activities prior to being redeveloped as part of the downtown revitalization plan.
2. The former Davison Oil & Gas site, a facility located within the boundaries of the Downtown Development Authority, consists of two contiguous parcels and a portion of a city street that will eventually be closed as part of the redevelopment. The property contains one or more underground storage tank(s) and contaminated soils and groundwater and requires demolition of dilapidated building(s), phase II and baseline environmental assessments, due care, additional response activities, and infrastructure improvements prior to being redeveloped as part of the downtown revitalization plan.

The duration of the Plan shall be 30 years. As of June 30, 2021, there has been no activity for the BRA.

Each authority's tax increment revenue is calculated by multiplying the millage (of all entities involved) times the captured taxable value (the difference between current taxable value and the initial assessed value). The initial assessed values were established in 1981 for the DDA district 1, 1996 for the expanded DDA district 2, and 1997 and 2007 for the LDFA.

Pension

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose 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 pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. 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. The General Fund, the Water Fund, and the Sewer Fund are used primarily to liquidate this obligation.

Note 1 - Significant Accounting Policies (Continued)

Other Postemployment Benefit Costs

The City offers retiree health care benefits to retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The General Fund, the Water Fund, and the Sewer Fund are used primarily to liquidate this obligation.

Compensated Absences (Leave Time)

It is the City's policy to permit employees to accumulate earned but unused leave time pay benefits. All leave time is accrued when incurred in the government-wide, proprietary, and fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. All other accrued compensated absences are reported in the government-wide financial statements; generally, the funds that report each employee's compensation (the General Fund and the Water and Sewer funds, primarily) are used to liquidate the obligation.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the Water and Sewer funds and Internal Service Fund is charges to customers for sales and services. The Water and Sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and the Internal Service Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, 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. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the City's financial statements for the year ended June 30, 2021 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement were originally effective for the City's financial statements for the June 30, 2021 fiscal year but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2020, the Governmental Accounting Standards Board issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or another type of employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the City's financial statements for the year ending June 30, 2022.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

The City oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated is as follows:

Cumulative shortfall at July 1, 2020	\$ (729,416)
Current year permit revenue	13,474
Related expenses - Direct costs	<u>36,165</u>
Current year shortfall	<u>(22,691)</u>
Cumulative shortfall June 30, 2021	<u><u>\$ (752,107)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated several banks for the deposit of its funds.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had bank deposits of \$7,089,314 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The DDA and the LDFA had no bank deposits that were 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.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the City had the following investments and maturities:

Fiduciary Funds	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Fixed income	\$ 143,207	\$ -	\$ 80,471	\$ 31,972	\$ 30,764

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of June 30, 2021, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Fiduciary Funds			
Fixed income	\$ 30,764	AA	S&P
Fixed income	80,557	BBB	S&P
Fixed income	15,581	BBB+	S&P
Fixed Income	16,305	BBB-	S&P
Mutual funds - Bonds	353,883	Not rated	N/A

June 30, 2021

Note 4 - Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its 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 fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The City has the following recurring fair value measurements as of June 30, 2021:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2021				
	Quoted Prices in			
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
Investments by Fair Value Level				
Fixed income	\$ 143,207	\$ -	\$ -	\$ 143,207
Equity	195,000	-	-	195,000
Mutual funds	818,245	-	-	818,245
Real estate	58,063	-	-	58,063
Total investments by fair value level	<u>\$ 1,214,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,214,515</u>

Fixed-income, equity, mutual funds, and real estate investments classified in Level 1 are valued using prices quoted in active markets for those securities.

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is presented in the following table.

Investments in Entities that Calculate Net Asset Value per Share

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

As of the year ended June 30, 2021, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
MERS Total Market Portfolio	\$ 1,134,921	\$ -	None	N/A

The MERS Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. The Municipal Employees' Retirement System (MERS) manages the asset allocation and monitors the underlying investment managers of the MERS Total Market Portfolio.

June 30, 2021

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities for the year ended June 30, 2021 was as follows:

Governmental Activities

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets not being depreciated - Land	\$ 1,470,882	\$ -	\$ -	\$ 1,470,882
Capital assets being depreciated:				
Infrastructure	5,028,056	102,765	-	5,130,821
Buildings and improvements	1,550,048	-	-	1,550,048
Machinery and equipment	2,010,989	8,241	(24,148)	1,995,082
Improvements other than buildings	856,507	19,385	-	875,892
Subtotal	9,445,600	130,391	(24,148)	9,551,843
Accumulated depreciation:				
Infrastructure	2,185,582	231,257	-	2,416,839
Buildings and improvements	995,360	24,596	-	1,019,956
Machinery and equipment	1,591,251	128,910	(24,148)	1,696,013
Improvements other than buildings	662,132	16,218	-	678,350
Subtotal	5,434,325	400,981	(24,148)	5,811,158
Net capital assets being depreciated	4,011,275	(270,590)	-	3,740,685
Net governmental activities capital assets	<u>\$ 5,482,157</u>	<u>\$ (270,590)</u>	<u>\$ -</u>	<u>\$ 5,211,567</u>

Business-type Activities

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets not being depreciated - Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Capital assets being depreciated:				
Water and sewer lines	13,404,187	-	-	13,404,187
Buildings and improvements	139,395	-	-	139,395
Machinery and equipment	298,111	16,651	-	314,762
Subtotal	13,841,693	16,651	-	13,858,344
Accumulated depreciation:				
Water and sewer lines	7,232,808	271,419	-	7,504,227
Buildings and improvements	84,530	3,429	-	87,959
Machinery and equipment	211,683	12,414	-	224,097
Subtotal	7,529,021	287,262	-	7,816,283
Net capital assets being depreciated	6,312,672	(270,611)	-	6,042,061
Net business-type activities capital assets	<u>\$ 6,313,672</u>	<u>\$ (270,611)</u>	<u>\$ -</u>	<u>\$ 6,043,061</u>

June 30, 2021

Note 5 - Capital Assets (Continued)

Capital asset activity for the City's component unit for the year ended June 30, 2021 was as follows:

Component Unit

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets being depreciated - Equipment and furniture	\$ 29,837	\$ -	\$ -	\$ 29,837
Accumulated depreciation - Equipment and furniture	26,695	1,019	-	27,714
Net component unit capital assets	<u>\$ 3,142</u>	<u>\$ (1,019)</u>	<u>\$ -</u>	<u>\$ 2,123</u>

Depreciation expense was charged to programs of the primary government for the year ended June 30, 2021 as follows:

Governmental activities:	
General government	\$ 145,797
Public works	220,903
Recreation and culture	34,281
Total governmental activities	<u>\$ 400,981</u>
Business-type activities:	
Sewer	\$ 52,471
Water	234,791
Total business-type activities	<u>\$ 287,262</u>

Depreciation expense for the component unit for the year ended June 30, 2021 was as follows:

Component unit activities	\$ 1,019
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Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2021 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Local Streets Fund	\$ 640
	Sewer Fund	56
	Water Fund	339
	Total General Fund	1,035
Major Streets Fund	General Fund	9,258
Local Streets Fund	General Fund	21
Sewer Fund	General Fund	120
Water Fund	General Fund	3,207
Internal Service Fund	General Fund	45
	Total	<u>\$ 13,686</u>

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

June 30, 2021

Note 7 - Long-term Debt

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

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable - Other debt - Capital Improvement Bonds	\$ 811,563	\$ -	\$ (85,000)	\$ 726,563	\$ 85,000
Compensated absences	89,326	93,864	(100,895)	82,295	82,295
Total governmental activities long-term debt	\$ 900,889	\$ 93,864	\$ (185,895)	\$ 808,858	\$ 167,295

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable - Other debt - Capital Improvement Bonds 2013 Water Capital Improvement Bonds	\$ 135,000	\$ -	\$ (45,000)	\$ 90,000	\$ 45,000
Revenue Bonds - Drinking Water Revolving Loan Fund Debt	1,644,981	-	(335,000)	1,309,981	345,000
Total bonds and contracts payable	1,779,981	-	(380,000)	1,399,981	390,000
Compensated absences	11,675	13,000	(12,180)	12,495	12,495
Total business-type activities long-term debt	\$ 1,791,656	\$ 13,000	\$ (392,180)	\$ 1,412,476	\$ 402,495

General Obligation Bonds and Contracts

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the City. General obligations outstanding at June 30, 2021 are as follows:

	Year Issued	Interest Rates	Maturing	Outstanding
Governmental Activities General Obligation Capital Improvement Bonds	2007	1.625%	2028	\$ 726,563
Business-type Activities Water Capital Improvement Bonds	2013	1.2% - 4.45%	2023	90,000

Note 7 - Long-term Debt (Continued)

Revenue Bonds

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Business-type activities utilize revenue bonds to finance the water and sewer system. The City has pledged substantially all of the Water Fund, net of operating expenses, to repay the water revenue bonds listed above. Proceeds from the bonds provided financing for the construction of the water plant. The bonds are payable solely from the net revenue from the water system. The remaining principal and interest to be paid on the bonds is \$1,371,105. During the current year, net revenue of the system was \$897,506, compared to annual debt requirements of \$371,937.

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities			Business-type Activities		
	Other Debt			Other Debt		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 85,000	\$ 11,116	\$ 96,116	\$ 390,000	\$ 29,787	\$ 419,787
2023	90,000	9,694	99,694	410,000	20,012	430,012
2024	90,000	8,232	98,232	374,981	10,312	385,293
2025	90,000	6,769	96,769	225,000	2,813	227,813
2026	90,000	5,307	95,307	-	-	-
2027-2031	281,563	6,807	288,370	-	-	-
Total	\$ 726,563	\$ 47,925	\$ 774,488	\$ 1,399,981	\$ 62,924	\$ 1,462,905

Note 8 - Defined Benefit Pension Plans

Plan Description

Union and Supervisors

The City participates in an agent multiple-employer defined benefit pension plan administered by the Michigan Municipal Employees' Retirement System (the "System") that covers the police patrol, department supervisors, and public works employees. The five MERS plans are all contributory defined benefit plans. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Nonunion

The City Council administers the Nonunion Pension Plan of the City of Davison, Michigan, a single-employer defined benefit pension plan that provides pensions for all full-time eligible nonunion employees hired prior to June 30, 2010. Employees are eligible to participate in the plan effective on the plan anniversary date (July 1) immediately following their hire-in date. The benefit terms were established by the City Council and may be amended by future council actions. A separate pension board has not been established.

June 30, 2021

Note 8 - Defined Benefit Pension Plans (Continued)

Benefits Provided

Union and Supervisors

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The City has no fiduciary responsibility for the plan. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

Police Patrol

All full-time police patrol and dispatcher employees who are members of a class of employees covered by a collective bargaining agreement between the City of Davison, Michigan and a union representing its police employees are eligible to participate in the MERS police patrol pension plan immediately following their hire-in date. As of December 31, 2020, the most recent valuation, there were 5 active plan members, 11 retirees and beneficiaries receiving benefits, and 1 terminated plan member not yet receiving benefits. There are two divisions under the police patrol pension plan, one that closed as of July 1, 2018 and one that includes new employees hired on or after July 1, 2018.

Per union contract, all participants must contribute 5 percent of their total compensation to MERS for employees included in the closed division or 5 percent of their base wages to MERS for new employees hired on or after July 1, 2018. The balance in each participant's voluntary contribution account shall be fully vested at all times and shall not be subject to forfeiture for any reason.

The plan provides retirement benefits to plan members and their beneficiaries.

The plan provides for vesting of benefits after 10 years of service for employees in the closed division or 6 years of service for employees hired on or after July 1, 2018. Participants may elect normal retirement at age 50 with 25 years of service for employees in the closed division or at age 55 with 25 years of service for employees hired on or after July 1, 2018.

Department Supervisors

All full-time department supervisors are eligible to participate in the MERS supervisor pension plan effective immediately following their hire-in date. As of December 31, 2020, the most recent valuation, there were 4 active plan members, 6 retirees and beneficiaries receiving benefits, and no terminated plan members not yet receiving benefits.

Participants must contribute 3.5 percent of their total compensation to MERS. The balance in each participant's voluntary contribution account shall be fully vested at all times and shall not be subject to forfeiture for any reason.

The plan provides retirement benefits to plan members and their beneficiaries.

The plan provides for vesting of benefits after 10 years of service. Participants may elect normal retirement at age 50 with 25 years of service.

Public Works

All full-time public works employees are eligible to participate in the MERS DPW plan effective immediately following their hire-in date. As of December 31, 2020, the most recent valuation, there were 7 active plan members, 7 retirees and beneficiaries receiving benefits, and 1 terminated plan member not yet receiving benefits. There are two divisions under the public works pension plan, one that closed as of July 1, 2012 and one that includes new employees hired on or after July 1, 2012.

Per union contract, participants must contribute 5 percent of their total compensation to MERS for employees included in the closed division or 5 percent of their total compensation to MERS for new employees hired on or after July 1, 2012. The balance in each participant's voluntary contribution account shall be fully vested at all times and shall not be subject to forfeiture for any reason.

June 30, 2021

Note 8 - Defined Benefit Pension Plans (Continued)

The plan provides retirement benefits to plan members and their beneficiaries.

The plan provides for vesting of benefits after 10 years of service. Participants may elect normal retirement at age 50 with 25 years of service for employees in the closed division or at age 55 with 25 years of service for employees hired on or after July 1, 2012.

Nonunion

The nonunion pension plan provides retirement, disability, and death benefits. Benefit terms are established and amended by the City Council. The most recent valuation is as of June 30, 2021.

Employees Covered by Benefit Terms

At the plan measurement date, the following employees were covered by the benefit terms:

	Union and Supervisors	Nonunion
Measurement date	December 31, 2020	June 30, 2021
Inactive plan members or beneficiaries currently receiving benefits	24	5
Inactive plan members entitled to but not yet receiving benefits	2	2
Active plan members	16	2
Total employees covered by the plan	42	9

Contributions

Union and Supervisors

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer 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 costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

The terms of the plans require that the City make contributions of at least as great as the amount certified by the plan's actuary as the amount necessary to keep the plan in full force. The employer contributions ranged from 3.09 percent to 47.83 percent of covered payroll for the MERS plans. The employee contributions ranged from 3.50 percent to 5.00 percent of covered payroll for the MERS plans.

Nonunion

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the City Council in accordance with the city charter and plan provisions. For the year ended June 30, 2021, the annual required contribution was \$44,679.

June 30, 2021

Note 8 - Defined Benefit Pension Plans (Continued)

The nonunion pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the City Council’s adopted asset allocation policy as of December 15, 1998 and is still effective at June 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	55.51%
Fixed income	40.23%
Cash	4.27%

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on the nonunion pension plan investments, net of pension plan investment expense, was 17.67 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The City chooses a date for each pension plan to measure its net pension liability. This is based on the measurement date of each pension plan, which is determined by an actuarial valuation performed as of that date.

	<u>Union and Supervisors</u>	<u>Nonunion</u>
Measurement date used for the City's net pension liability	December 31, 2020	June 30, 2021

Changes in the net pension liability during the measurement year were as follows:

Union and Supervisors

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2019	\$ 14,176,206	\$ 6,892,263	\$ 7,283,943
Changes for the year:			
Service cost	147,847	-	147,847
Interest	1,051,203	-	1,051,203
Changes in benefits	(1,379)	-	(1,379)
Differences between expected and actual experience	62,679	-	62,679
Changes in assumptions	422,283	-	422,283
Contributions - Employer	-	650,073	(650,073)
Contributions - Employee	-	43,574	(43,574)
Net investment income	-	960,583	(960,583)
Benefit payments, including refunds	(836,992)	(836,992)	-
Administrative expenses	-	(13,787)	13,787
Net changes	<u>845,641</u>	<u>803,451</u>	<u>42,190</u>
Balance at December 31, 2020	<u>\$ 15,021,847</u>	<u>\$ 7,695,714</u>	<u>\$ 7,326,133</u>

June 30, 2021

Note 8 - Defined Benefit Pension Plans (Continued)

Assumption Changes - Union and Supervisors

For the December 31, 2020 actuarial valuation, there was an assumption change that resulted in an increase in the calculated total pension liability. The assumptions changed during the year related to the mortality tables being updated.

Nonunion

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2020	\$ 1,345,879	\$ 1,101,716	\$ 244,163
Changes for the year:			
Service cost	3,523	-	3,523
Interest	78,471	-	78,471
Differences between expected and actual experience	11,540	-	11,540
Changes in assumptions	(8,362)	-	(8,362)
Contributions - Employer	-	54,000	(54,000)
Net investment income	-	199,967	(199,967)
Benefit payments, including refunds	(83,123)	(83,123)	-
Administrative expenses	-	(12,653)	12,653
Net changes	2,049	158,191	(156,142)
Balance at June 30, 2021	\$ 1,347,928	\$ 1,259,907	\$ 88,021

The plan's fiduciary net position represents 93.5 percent of the total pension liability.

Assumption Changes - Nonunion

For the June 30, 2021 actuarial valuation, there was an assumption change that resulted in a decrease in the calculated total pension liability. The assumptions changed during the year related to the mortality assumption being updated. See below for the assumptions used.

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

For the year ended June 30, 2021, the City recognized pension expense of \$1,020,499.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 101,366	\$ (2,087)
Changes in assumptions	607,213	(5,851)
Net difference between projected and actual earnings on pension plan investments	-	(392,119)
Employer contributions to the plan subsequent to the measurement date	311,097	-
Total	\$ 1,019,676	\$ (400,057)

June 30, 2021

Note 8 - Defined Benefit Pension Plans (Continued)

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 \$311,097 employer contributions to the plan made subsequent to the measurement date, which will impact the net pension liability in fiscal year 2021 rather than pension expense.

Years Ending June 30	Amount
2022	\$ 264,146
2023	285,845
2024	(158,834)
2025	(102,708)
2026	12,864
Thereafter	7,209
Total	<u>\$ 308,522</u>

Actuarial Assumptions

The total pension liability in each actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	Union and Supervisors	Nonunion
Inflation	2.50	2.25
Salary increases (including inflation)	3.00	0
Investment rate of return (gross of investment expenses)	7.60	6.00
Mortality rates	Pub-2010 mortality tables	PubG-2010 amount weighted retiree mortality tables with generation projection using Scale MP-2020

Discount Rate

As shown below, the discount rate used to measure the total pension liability was determined after considering a projection of the cash flows to determine whether the future contributions (made at the current contribution rates) will be sufficient to allow the pension plans' fiduciary net position to make all projected future benefit payments of current active and inactive employees.

	Union and Supervisors	Nonunion
Discount rate used to measure total pension liability	7.60	6.00

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make 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.

June 30, 2021

Note 8 - Defined Benefit Pension Plans (Continued)

Investment Rate of Return

Union and Supervisors

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense 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 as of December 31, 2020, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	60.00 %	5.25 %
Global fixed income	20.00	1.25
Private investments	20.00	7.25

Nonunion

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense 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 of 2.25 percent. Best estimates of arithmetic real rates of return as of June 30, 2021 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	55.51 %	5.50 %
Fixed income	40.23	2.25
Cash	4.27	-

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Union and Supervisors

The following presents the net pension liability of the City, calculated using the discount rate of 7.60 percent, 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 (6.60 percent) or 1 percentage point higher (8.60 percent) than the current rate:

	1 Percentage Point Decrease (6.60%)	Current Discount Rate (7.60%)	1 Percentage Point Increase (8.60%)
Net pension liability of the City	\$ 9,232,381	\$ 7,326,133	\$ 5,753,875

June 30, 2021

Note 8 - Defined Benefit Pension Plans (Continued)

Nonunion

The following presents the net pension liability of the City, calculated using the discount rate of 6.00 percent, 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 (5.00 percent) or 1 percentage point higher (7.00 percent) than the current rate:

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net pension liability of the City	\$ 229,728	\$ 88,021	\$ (32,373)

Pension Plan Fiduciary Net Position

Union and Supervisors

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Nonunion

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 9 - Other Postemployment Benefit Plan

Plan Description

The City provides retiree health care benefits to eligible retired employees and their eligible dependents. All City employees hired prior to July 1, 2018 are eligible for this plan. The retirement eligibility vary by job class and hire date as indicated below:

- For police employees hired on or before July 1, 2011 and police employees hired after July 1, 2011 (and before July 1, 2018), employees must be at least age 55 with 15 years of service or age 50 with 25 years of service. Benefits provided vary by hire date.
- For DPW employees hired on or before July 1, 2012, employees must be age 55 with 15 years of service or age 50 with 25 years of service. For DPW employees hired after July 1, 2012, employees must be age 55 with 15 years of service. Benefits provided vary by hire date.
- For union office employees hired on or before July 1, 2012, employees must be age 60 with 5 years of service. For union office employees hired on after July 1, 2012, employees must be age 60 with 15 years of service. Benefits provided vary by hire date.

June 30, 2021

Note 9 - Other Postemployment Benefit Plan (Continued)

- For nonunion supervisors hired before July 1, 2018, employees must be age 60 with 10 years of service or age 50 with 25 years of service.

This is a single-employer plan administered by the City.

Benefits Provided

The City's OPEB plan provides health care benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and a portion of the cost of the benefits is covered by the plan.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	January 1, 2020
Inactive plan members or beneficiaries currently receiving benefits	21
Active plan members	<u>16</u>
Total plan members	<u><u>37</u></u>

Contributions

Retiree health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2021, the City made payments for postemployment health benefit premiums of \$314,494 and additional contributions of \$111,327.

Net OPEB Liability

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2021 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2021 measurement date. The June 30, 2021 total OPEB liability was determined by an actuarial valuation performed as of January 1, 2020, which used update procedures to roll forward the estimated liability to June 30, 2021.

Changes in the net OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at June 30, 2020	\$ 8,131,210	\$ 789,823	\$ 7,341,387
Changes for the year:			
Service cost	135,393	-	135,393
Interest	567,841	-	567,841
Contributions - Employer	-	425,821	(425,821)
Net investment income	-	235,508	(235,508)
Benefit payments, including refunds	(314,494)	(314,494)	-
Administrative expenses	-	(1,737)	1,737
Net changes	<u>388,740</u>	<u>345,098</u>	<u>43,642</u>
Balance at June 30, 2021	<u><u>\$ 8,519,950</u></u>	<u><u>\$ 1,134,921</u></u>	<u><u>\$ 7,385,029</u></u>

The plan's fiduciary net position represents 13.3 percent of the total OPEB liability.

June 30, 2021

Note 9 - Other Postemployment Benefit Plan (Continued)

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$465,185.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 837	\$ (698,971)
Changes in assumptions	379,984	-
Changes in proportionate share, or difference between amount contributed and proportionate share of contributions	-	(108,503)
Total	\$ 380,821	\$ (807,474)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending June 30	Amount
2022	\$ (180,672)
2023	(182,236)
2024	(28,468)
2025	(35,277)
Total	\$ (426,653)

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using assumed salary increases (including inflation) of 4.00 percent; an investment rate of return (net of investment expenses) of 7.00 percent; a health care cost trend rate of 8.00 percent for 2021, decreasing 0.25 percent per year to an ultimate rate of 6.50 percent for 2027 and later years; and the PubG-2010 mortality tables with generational projection using Scale MP-2018. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 9 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2021 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	5.25 %
Global fixed income	20.00	1.25
Private investments	20.00	7.25

Rates of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 28.12 percent for the MERS Total Market Portfolio. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.00 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability of the City OPEB plan	\$ 8,673,973	\$ 7,385,029	\$ 6,289,073

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the City, calculated using the health care cost trend rate of 8.00 percent, as well as what the City's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (7.00%)	Current Health Care Cost Trend Rate (8.00%)	1 Percentage Point Increase (9.00%)
Net OPEB liability of the City OPEB plan	\$ 6,214,953	\$ 7,385,029	\$ 8,769,171

June 30, 2021

Note 9 - Other Postemployment Benefit Plan (Continued)

OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 10 - Defined Contribution Pension Plan

Effective for all union office employees as of June 30, 2010, the City provides defined contribution pension benefits in the City of Davison Pension Plan administered by Foresight Capital Management Advisors. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Union office employees are eligible to participate after working 1,000 hours. As established by employee contracts, the City contributes 6 percent.

The City's total payroll during the current year for the union office employees in the plan was \$118,644. The current year contribution was calculated based on covered payroll of \$118,644, resulting in an employer contribution of \$4,803.

Effective July 1, 2018, the City provides defined contribution pension benefits for all eligible full-time police patrol and dispatcher employees hired on or after July 1, 2018. The plan is administered by MERS. Eligible employees vest 20 percent each year and will be fully vested after five years of service. The City and eligible employees are required to contribute 5 percent of base wages.

The City's total payroll during the current year for the police patrol and dispatcher employees in the plan was \$27,460. The current year contribution was calculated based on covered payroll of \$36,320, resulting in an employer contribution of \$1,373.

Note 11 - Deferred Compensation Plan

The City offers its employees the option to participate in a deferred compensation plan. The City of Davison, Michigan has two plans administered by Nationwide and MERS created in accordance with IRC Section 457. The plans, available to substantially all city employees, permit them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseen emergency. The City will match up to 2 percent of the gross wages of eligible union office staff employees.

The law allows trusts to be created for the plan assets, thereby insulating the assets from the City's general creditors. The City's plan administrator created the trust and placed the assets of the plan within the trust. As a result, the plan's assets are not shown on the financial statements to reflect that the City has no fiduciary or administrative responsibility for this plan.

The City's total payroll during the current year for the employees in the plan was \$118,644. The current year contribution was calculated based on covered payroll of \$118,644, resulting in an employer contribution of \$2,319.

Note 12 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for coverage of all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

June 30, 2021

Note 13 - Joint Ventures

In April 1979, the City of Davison, Michigan entered into a joint venture with Davison Township (the "Township") to create the Senior Citizens Authority (the "Authority"). The purpose of the Authority is to provide facilities for recreation and activities for senior citizens residing in the City and the Township. The Authority is governed by a seven-member board appointed by the participating municipalities. The board of the Authority is required to submit an annual operating budget to the governing body of each municipality for approval.

During the year ended June 30, 2021, the City's contribution to the Senior Citizens Authority was \$4,058.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Audited financial statements are available for public inspection at the Authority's headquarters.

In January 1972, the City of Davison, Michigan entered into a joint venture with Davison Township and Richfield Township to create the Davison Richfield Area Fire Authority (the "Fire Authority"). The purpose of the Fire Authority is to provide uniform and orderly control of fire protection, fire department practices and organizations, and financing within the territorial limits of the three municipalities. The Fire Authority is governed by a seven-member board appointed by the governing bodies of the City and the townships. The agreement calls for each municipality to pay for each fire run to a point within its jurisdictional boundary. The City's equity interest is accounted for in the statement of net position as equity investment in joint venture. The City's equity interest of \$1,071,170 is recorded within the governmental activities column of the statement of net position.

During the year ended June 30, 2021, the City was billed \$135,455 by the Fire Authority. At year end, the City owed \$75,644 to the Fire Authority for fire run services.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Audited financial statements are available for public inspection at the Fire Authority's headquarters.

In July 2007, the City of Davison, Michigan entered into a joint venture with Davison Township (the "Township") and Davison Community Schools to create Davison Community Enrichment and Recreation. The purpose of Davison Community Enrichment and Recreation is to provide facilities for recreation and activities for community and recreation programs. Davison Community Enrichment and Recreation is governed by a three-member board appointed by the governing bodies of the City, the Township, and Davison Community Schools.

During the year ended June 30, 2021, the City's contribution to Davison Community Enrichment and Recreation was \$45,000.

Note 14 - Change in Accounting Principle

During the current year, the City adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the accounting for fiduciary component units and custodial funds has changed. Beginning net position for the Other Postemployment Benefits Fund was adjusted, and accounting for custodial activity was also changed. The impact of adoption is included below.

This was also the first year GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was applicable to the City's financial statements. This was a result of the Other Postemployment Benefits Fund now being reported as a fiduciary fund under GASB Statement No. 84. As a result, some of the disclosures within the OPEB plan footnotes have changed, along with the related schedules in the required supplemental information.

June 30, 2021

Note 14 - Change in Accounting Principle (Continued)

The following financial statement line items for fiscal year 2021 were affected by the change in accounting principle:

	Pension and Other Postemployment Benefit Trust Funds
Net position - Beginning of year, as previously reported	\$ 1,101,716
Adjustment for GASB Statement No. 84	<u>789,823</u>
Net position - Beginning of year, as restated	<u><u>\$ 1,891,539</u></u>

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,516,500	\$ 1,516,500	\$ 1,518,238	\$ 1,738
Intergovernmental - State-shared revenue and grants	585,550	780,550	793,587	13,037
Charges for services	31,000	31,000	26,899	(4,101)
Fines and forfeitures	11,500	11,500	8,901	(2,599)
Licenses and permits	14,500	19,500	18,474	(1,026)
Interest and rentals	99,950	99,950	92,665	(7,285)
Other revenue	212,055	223,555	188,023	(35,532)
Total revenue	2,471,055	2,682,555	2,646,787	(35,768)
Expenditures				
Current services:				
General government:				
Legislative (council)	20,350	20,350	17,804	2,546
Chief executive (manager, supervisor)	203,945	221,970	215,361	6,609
Finance/Accounting/Budget department	310,600	324,600	315,430	9,170
Purchasing	12,650	13,650	13,469	181
Treasurer	106,900	106,900	104,062	2,838
Assessing	27,600	30,600	29,811	789
Board of review	1,500	1,500	135	1,365
Clerk	93,425	93,425	91,071	2,354
Buildings and grounds	80,050	90,050	87,624	2,426
Less reimbursement from:				
Local streets	(8,625)	(8,625)	(8,625)	-
Major streets	(25,875)	(25,875)	(25,875)	-
Water	(214,665)	(214,665)	(214,665)	-
Sewer	(214,665)	(214,665)	(214,665)	-
Equipment	(47,440)	(47,440)	(47,440)	-
LDFA	(2,000)	(2,000)	(2,000)	-
DDA	(10,000)	(10,000)	(10,000)	-
Public safety:				
Police/Sheriff	1,268,600	1,261,600	1,218,441	43,159
Fire	155,500	150,000	135,455	14,545
Building inspections and related	40,100	40,100	36,165	3,935
Public works	493,200	455,700	435,735	19,965
Community and economic development	14,450	14,450	7,567	6,883
Recreation and culture:				
Library	50,850	38,825	32,214	6,611
Parks and recreation	146,750	186,250	178,048	8,202
Senior citizens	4,100	4,100	4,058	42
Total expenditures	2,507,300	2,530,800	2,399,180	131,620
Net Change in Fund Balance	(36,245)	151,755	247,607	95,852
Fund Balance - Beginning of year	1,367,190	1,367,190	1,367,190	-
Fund Balance - End of year	\$ 1,330,945	\$ 1,518,945	\$ 1,614,797	\$ 95,852

City of Davison, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds
 Major Streets Fund

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 438,000	\$ 438,000	\$ 424,209	\$ (13,791)
Investment income	450	450	135	(315)
Total revenue	438,450	438,450	424,344	(14,106)
Expenditures - Current - Highway and streets	193,325	218,325	212,785	5,540
Net Change in Fund Balance	245,125	220,125	211,559	(8,566)
Fund Balance - Beginning of year	966,087	966,087	966,087	-
Fund Balance - End of year	<u><u>\$ 1,211,212</u></u>	<u><u>\$ 1,186,212</u></u>	<u><u>\$ 1,177,646</u></u>	<u><u>\$ (8,566)</u></u>

City of Davison, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)
 Local Streets Fund

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 160,000	\$ 160,000	\$ 161,997	\$ 1,997
Investment income	350	350	87	(263)
Total revenue	160,350	160,350	162,084	1,734
Expenditures - Current - Highway and streets	130,625	142,625	137,059	5,566
Net Change in Fund Balance	29,725	17,725	25,025	7,300
Fund Balance - Beginning of year	549,980	549,980	549,980	-
Fund Balance - End of year	<u><u>\$ 579,705</u></u>	<u><u>\$ 567,705</u></u>	<u><u>\$ 575,005</u></u>	<u><u>\$ 7,300</u></u>

Schedule of Changes in the Net Pension Liability and Related Ratios - Union and Supervisors Pension Plan

Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 147,847	\$ 153,651	\$ 170,672	\$ 162,910	\$ 158,862	\$ 156,616	\$ 156,189
Interest	1,051,203	1,048,317	1,010,713	947,829	929,421	875,272	842,204
Changes in benefit terms	(1,379)	(185,042)	(21,274)	-	-	-	-
Differences between expected and actual experience	62,679	(4,173)	85,919	437,509	(132,806)	105,084	-
Changes in assumptions	422,283	535,150	-	-	-	521,190	-
Benefit payments, including refunds	(836,992)	(797,721)	(737,164)	(794,997)	(659,807)	(641,953)	(553,619)
Net Change in Total Pension Liability	845,641	750,182	508,866	753,251	295,670	1,016,209	444,774
Total Pension Liability - Beginning of year	14,176,206	13,426,024	12,917,158	12,163,907	11,868,237	10,852,028	10,407,254
Total Pension Liability - End of year	\$ 15,021,847	\$ 14,176,206	\$ 13,426,024	\$ 12,917,158	\$ 12,163,907	\$ 11,868,237	\$ 10,852,028
Plan Fiduciary Net Position							
Contributions - Employer	\$ 650,073	\$ 600,574	\$ 540,069	\$ 505,329	\$ 431,409	\$ 390,166	\$ 339,648
Contributions - Member	43,574	49,296	52,091	50,092	45,748	44,013	48,741
Net investment income (loss)	960,583	837,010	(254,591)	786,708	630,729	(85,985)	361,710
Administrative expenses	(13,787)	(14,416)	(12,690)	(12,479)	(12,461)	(12,814)	(13,261)
Benefit payments, including refunds	(836,992)	(797,721)	(737,164)	(794,997)	(659,807)	(641,953)	(553,619)
Other	-	-	30,200	-	-	-	-
Net Change in Plan Fiduciary Net Position	803,451	674,743	(382,085)	534,653	435,618	(306,573)	183,219
Plan Fiduciary Net Position - Beginning of year	6,892,263	6,217,520	6,599,605	6,064,952	5,629,334	5,935,907	5,752,688
Plan Fiduciary Net Position - End of year	\$ 7,695,714	\$ 6,892,263	\$ 6,217,520	\$ 6,599,605	\$ 6,064,952	\$ 5,629,334	\$ 5,935,907
City's Net Pension Liability - Ending	\$ 7,326,133	\$ 7,283,943	\$ 7,208,504	\$ 6,317,553	\$ 6,098,955	\$ 6,238,903	\$ 4,916,121
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	51.23 %	48.62 %	46.31 %	51.09 %	49.86 %	47.43 %	54.70 %
Covered Payroll	\$ 950,932	\$ 953,213	\$ 1,016,077	\$ 948,886	\$ 956,848	\$ 910,098	\$ 946,636
City's Net Pension Liability as a Percentage of Covered Payroll	770.42 %	764.15 %	709.44 %	665.79 %	637.40 %	685.52 %	519.33 %

Required Supplemental Information
Schedule of Pension Contributions - Union and Supervisors Pension Plan

	Last Ten Fiscal Years Years Ended June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 678,192	\$ 619,574	\$ 518,717	\$ 474,457	\$ 472,201	\$ 383,148	\$ 333,830	\$ 332,909	\$ 315,477	\$ 328,908
Contributions in relation to the actuarially determined contribution	678,192	619,574	566,217	523,182	472,201	390,166	339,647	332,909	315,477	328,908
Contribution Excess	\$ -	\$ -	\$ 47,500	\$ 48,725	\$ -	\$ 7,018	\$ 5,817	\$ -	\$ -	\$ -
Covered Payroll	\$ 950,932	\$ 953,213	\$ 1,016,077	\$ 948,886	\$ 956,848	\$ 910,098	\$ 946,636	\$ 950,126	\$ 888,798	\$ 938,771
Contributions as a Percentage of Covered Payroll	71.32 %	65.00 %	55.73 %	55.14 %	49.35 %	42.87 %	35.88 %	35.04 %	35.49 %	35.04 %

Notes to Schedule of Pension Contributions - Union and Supervisors Pension Plan

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the City's fiscal year ended June 30, 2021 were determined based on the actuarial valuation as of December 31, 2018. The most recent valuation is as of December 31, 2020.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increase	3.75 percent
Investment rate of return	7.75 percent - Net of pension plan investment expense, including inflation
Retirement age	Experience-based table of rates are specific to the type of eligibility condition
Mortality	RP-2014 tables of a 50 percent male and 50 percent female blend
Other information	None

Required Supplemental Information

Schedule of Changes in the Net Pension Liability and Related Ratios - Nonunion Pension Plan

	Years Ended June 30						
	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 3,523	\$ 3,168	\$ 3,193	\$ 3,011	\$ 2,944	\$ -	\$ -
Interest	78,471	75,851	75,071	72,403	71,026	69,337	70,505
Differences between expected and actual experience	11,540	3,291	19,130	8,826	3,702	45,561	13,451
Changes in assumptions	(8,362)	44,108	(4,429)	43,339	(135,820)	-	98,668
Benefit payments, including refunds	(83,123)	(83,123)	(83,123)	(83,123)	(62,321)	(51,921)	(51,921)
Net Change in Total Pension Liability	2,049	43,295	9,842	44,456	(120,469)	62,977	130,703
Total Pension Liability - Beginning of year	1,345,879	1,302,584	1,292,742	1,248,286	1,368,755	1,305,778	1,175,075
Total Pension Liability - End of year	<u>\$ 1,347,928</u>	<u>\$ 1,345,879</u>	<u>\$ 1,302,584</u>	<u>\$ 1,292,742</u>	<u>\$ 1,248,286</u>	<u>\$ 1,368,755</u>	<u>\$ 1,305,778</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 54,000	\$ 40,800	\$ 46,650	\$ 40,700	\$ 71,850	\$ 40,550	\$ 22,550
Net investment income	199,967	2,107	96,110	52,387	86,736	19,765	11,337
Administrative expenses	(12,653)	(11,121)	(8,241)	(8,803)	(33,988)	(39,093)	(15,846)
Benefit payments, including refunds	(83,123)	(83,123)	(83,123)	(83,123)	(62,321)	(51,921)	(51,921)
Net Change in Plan Fiduciary Net Position	158,191	(51,337)	51,396	1,161	62,277	(30,699)	(33,880)
Plan Fiduciary Net Position - Beginning of year	1,101,716	1,153,053	1,101,657	1,100,496	1,038,219	1,068,918	1,102,798
Plan Fiduciary Net Position - End of year	<u>\$ 1,259,907</u>	<u>\$ 1,101,716</u>	<u>\$ 1,153,053</u>	<u>\$ 1,101,657</u>	<u>\$ 1,100,496</u>	<u>\$ 1,038,219</u>	<u>\$ 1,068,918</u>
City's Net Pension Liability - Ending	<u>\$ 88,021</u>	<u>\$ 244,163</u>	<u>\$ 149,531</u>	<u>\$ 191,085</u>	<u>\$ 147,790</u>	<u>\$ 330,536</u>	<u>\$ 236,860</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.47 %	81.86 %	88.52 %	85.22 %	88.16 %	75.85 %	81.86 %
Covered Payroll	\$ 149,226	\$ 145,299	\$ 147,585	\$ 143,135	\$ 119,618	\$ -	\$ -
City's Net Pension Liability as a Percentage of Covered Payroll	58.99 %	168.04 %	101.32 %	133.50 %	123.55 %	- %	- %

Required Supplemental Information
Schedule of Pension Investment Returns - Nonunion Pension Plan

	Last Ten Fiscal Years Years Ended June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Annual money-weighted rate of return, net of investment expense	17.67 %	(0.57)%	8.25 %	4.67 %	8.47 %	1.03 %	1.05 %	3.20 %	13.00 %	11.80 %

City of Davison, Michigan

Required Supplemental Information Schedule of Pension Contributions - Nonunion Pension Plan

**Last Ten Fiscal Years
Years Ended June 30**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 44,679	\$ 34,752	\$ 39,165	\$ 34,677	\$ 64,484	\$ 40,506	\$ 22,539	\$ 36,587	\$ 28,960	\$ 16,490
Contributions in relation to the actuarially determined contribution	54,000	40,800	46,650	40,700	71,850	40,550	22,550	36,590	28,960	36,500
Contribution Excess	\$ 9,321	\$ 6,048	\$ 7,485	\$ 6,023	\$ 7,366	\$ 44	\$ 11	\$ 3	\$ -	\$ 20,010
Covered Payroll	\$ 149,226	\$ 145,299	\$ 147,585	\$ 143,135	\$ 119,618	\$ -	\$ -	\$ -	\$ 179,883	\$ 172,365
Contributions as a Percentage of Covered Payroll	36.19 %	28.08 %	31.61 %	28.43 %	60.07 %	- %	- %	- %	16.10 %	21.18 %

Notes to Schedule of Pension Contributions - Nonunion Pension Plan

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent
Remaining amortization period	10 years
Asset valuation method	Market value
Inflation	2.25 percent
Salary increase	2.25 percent
Investment rate of return	6.0 percent
Retirement age	Age 60
Mortality	PubG-2010 amount weighted Retiree Mortality tables with generation projection using Scale MP-2018
Other information	None

Required Supplemental Information
Schedule of Changes in the Net OPEB Liability and Related Ratios

	Years Ended June 30			
	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 135,393	\$ 130,863	\$ 164,824	\$ 147,365
Interest	567,841	614,180	593,804	559,825
Changes in benefit terms	-	-	(65,563)	-
Differences between expected and actual experience	-	(1,397,941)	-	4,216
Changes in assumptions	-	297,339	580,030	-
Benefit payments, including refunds	(314,494)	(307,525)	(276,416)	(269,635)
Net Change in Total OPEB Liability	388,740	(663,084)	996,679	441,771
Total OPEB Liability - Beginning of year	8,131,210	8,794,294	7,797,615	7,355,844
Total OPEB Liability - End of year	\$ 8,519,950	\$ 8,131,210	\$ 8,794,294	\$ 7,797,615
Plan Fiduciary Net Position				
Contributions - Employer	\$ 425,821	\$ 366,310	\$ 331,859	\$ 325,494
Net investment income	235,508	17,976	20,185	46,113
Administrative expenses	(1,737)	(1,412)	(1,453)	(1,498)
Benefit payments, including refunds	(314,494)	(307,525)	(276,416)	(269,635)
Net Change in Plan Fiduciary Net Position	345,098	75,349	74,175	100,474
Plan Fiduciary Net Position - Beginning of year	789,823	714,474	640,299	539,825
Plan Fiduciary Net Position - End of year	\$ 1,134,921	\$ 789,823	\$ 714,474	\$ 640,299
Net OPEB Liability - Ending	\$ 7,385,029	\$ 7,341,387	\$ 8,079,820	\$ 7,157,316
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	13.32 %	9.71 %	8.12 %	8.21 %
Covered-employee Payroll	\$ 1,006,293	\$ 966,850	\$ 1,182,981	\$ 1,117,785
Net OPEB Liability as a Percentage of Covered-employee Payroll	733.88 %	759.31 %	683.01 %	640.31 %

Required Supplemental Information
Schedule of OPEB Contributions

Last Ten Fiscal Years
Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 804,909	\$ 779,915	\$ 863,173	\$ 787,220	\$ 1,551,921	\$ 1,551,921	\$ 1,629,984	\$ 1,391,341	\$ 947,812	\$ 867,468
Contributions in relation to the actuarially determined contribution	425,821	366,310	331,859	325,494	324,648	324,440	305,050	250,438	261,078	156,146
Contribution Deficiency	\$ (379,088)	\$ (413,605)	\$ (531,314)	\$ (461,726)	\$ (1,227,273)	\$ (1,227,481)	\$ (1,324,934)	\$ (1,140,903)	\$ (686,734)	\$ (711,322)
Covered-employee Payroll	\$ 1,006,293	\$ 966,850	\$ 1,182,981	\$ 1,117,785	\$ 1,126,756	\$ 1,126,983	\$ 1,086,461	\$ 1,138,413	\$ 1,144,442	\$ 1,110,236
Contributions as a Percentage of Covered-employee Payroll	42.32 %	37.89 %	28.05 %	29.12 %	28.81 %	28.79 %	28.08 %	22.00 %	22.81 %	14.06 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent
Remaining amortization period	20 years
Asset valuation method	10-year smoothed
Health care cost trend rates	8.00 percent for pre-Medicare, grading down 25 basis points each year to an ultimate rate of 4.5 percent in year 2035; 6.50 percent for post-Medicare, grading down 25 basis points each year to an ultimate rate of 4.5 percent in year 2028; 5 percent per year for dental
Salary increase	4.00 percent
Investment rate of return	7.00 percent
Retirement age	60 years old
Mortality	PubG-2010 Mortality Tables with generational projection using Scale MP-2018
Other information	None

Required Supplemental Information
Schedule of OPEB Investment Returns

Last Four Fiscal Years
Year Ended June 30

	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	28.12 %	2.32 %	3.09 %	7.68 %

This schedule is intended to show information for 10 years. Additional years' information will be reported as it becomes available.

Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the second Monday in June, the city manager submits to the City Council a proposed operating budget for the fiscal year commencing on the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund and special revenue funds. Informational summaries of projected revenue and expenditures are provided for all other city funds, as well as estimated total costs and proposed methods of financing all capital construction projects.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance and in accordance with Public Act 621 of 1978 of the State of Michigan. All funds' budgets are enacted on a departmental basis.
4. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Budget appropriations lapse at year end.
6. The original budget was amended during the year to be in compliance with the city charter and applicable state law.

Pension Information

Benefit Changes

There were various changes of benefit terms in the fiscal years ended June 30, 2021, 2020, and 2019 that resulted in a decrease in the calculated total pension liability.

Changes in Assumptions

In the fiscal year ended June 30, 2021 (December 31, 2020 valuation), there were assumption changes that resulted in an increase in the calculated total pension liability for the union and supervisors pension plan. The assumptions changed during the year related to the mortality tables being updated.

In the fiscal year ended June 30, 2020 (December 31, 2019 valuation), there were assumption changes that resulted in an increase in the calculated total pension liability for the union and supervisors pension plan. The assumptions changed during the year related to the investment rate of return.

In the fiscal year ended June 30, 2016 (December 31, 2015 valuation), there were assumption changes that resulted in an increase in the calculated total pension liability for the union and supervisors pension plan. The assumptions changed during the year related to the investment rate of return, discount rate, and mortality tables.

OPEB Information

Benefit Changes

In the fiscal year ended June 30, 2019, there were changes of benefit terms related to retirement eligibility.

Changes in Assumptions

In the fiscal year ended June 30, 2020, there were assumption changes that resulted in an increase in the calculated total OPEB liability. The assumptions changed during the year related to the health care trend rate and the mortality tables.

In the fiscal year ended June 30, 2019, there were assumption changes that resulted in an increase in the calculated total OPEB liability. The assumptions changed during the year related to the discount rate and the health care trend rate.

Other Supplemental Information

Special Revenue Funds

The Refuse Collection Fund is used to accumulate resources for the payment of sanitation expenditures.

Debt Service Funds

The Inflow and Infiltration Debt Fund was established to accumulate resources for the payment of the 2007 General Obligation Capital Improvement Bonds and other capital needs related to inflow and infiltration.

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2021

	Special Revenue Fund	Debt Service Fund		Inflow and Infiltration Debt Fund	Total Nonmajor Governmental Funds
	Refuse Collection Fund				
Assets					
Cash and cash equivalents	\$ 43,996	\$ 721,984	\$	765,980	
Receivables	-	20,889		20,889	
Total assets	\$ 43,996	\$ 742,873	\$	786,869	
Liabilities - Accounts payable	\$ 23,349	\$ 24,890	\$	48,239	
Fund Balances					
Restricted:					
Debt service	-	717,983		717,983	
Rubbish collections	20,647	-		20,647	
Total fund balances	20,647	717,983		738,630	
Total liabilities and fund balances	\$ 43,996	\$ 742,873	\$	786,869	

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund
Balances
Nonmajor Governmental Funds

Year Ended June 30, 2021

	Special Revenue Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	Refuse Collection Fund	Inflow and Infiltration Debt Fund	
Revenue			
Property taxes	\$ -	\$ 152,923	\$ 152,923
Special assessments	310,380	-	310,380
Intergovernmental - State sources	-	96,551	96,551
Interest and rentals - Investment earnings	13	5,460	5,473
Total revenue	310,393	254,934	565,327
Expenditures			
Current services - Public works	313,294	107,279	420,573
Debt service:			
Principal	-	85,000	85,000
Interest on long-term debt	-	12,497	12,497
Total expenditures	313,294	204,776	518,070
Net Change in Fund Balances	(2,901)	50,158	47,257
Fund Balances - Beginning of year	23,548	667,825	691,373
Fund Balances - End of year	\$ 20,647	\$ 717,983	\$ 738,630

**Other Supplemental Information
Combining Statement of Fiduciary Net Position
Fiduciary Funds**

June 30, 2021

	Pension and Other Postemployment Benefit Trust Funds		
	Nonunion Pension Benefit Trust Fund	Other Postemployment Benefits Trust Fund	Total Trust Funds
Assets			
Cash and cash equivalents	\$ 42,906	\$ -	\$ 42,906
Investments:			
Stocks	195,000	-	195,000
Bonds	143,207	-	143,207
Real estate	58,063	-	58,063
Mutual funds	818,245	-	818,245
Interest in pooled investments	-	1,134,921	1,134,921
Receivables	2,486	-	2,486
Total assets	1,259,907	1,134,921	2,394,828
Liabilities	-	-	-
Net Position			
Restricted:			
Pension	1,259,907	-	1,259,907
Postemployment benefits other than pension	-	1,134,921	1,134,921
Total net position	\$ 1,259,907	\$ 1,134,921	\$ 2,394,828

Other Supplemental Information
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year Ended June 30, 2021

	Pension and Other Postemployment Benefit Trust Funds		
	Nonunion Pension Benefit Trust Fund	Other Postemployment Benefits Trust Fund	Total Trust Funds
Additions			
Investment income (expense):			
Interest and dividends	\$ 40,136	\$ -	\$ 40,136
Net increase in fair value of investments	159,830	235,508	395,338
Investment-related expenses	(8,716)	-	(8,716)
Net investment income	191,250	235,508	426,758
Contributions - Employer	54,000	425,821	479,821
Total additions	245,250	661,329	906,579
Deductions			
Benefit payments	83,123	314,494	397,617
Administrative expenses	3,936	1,737	5,673
Total deductions	87,059	316,231	403,290
Net Increase in Fiduciary Net Position	158,191	345,098	503,289
Net Position - Beginning of year	1,101,716	789,823	1,891,539
Net Position - End of year	\$ 1,259,907	\$ 1,134,921	\$ 2,394,828