
City of Davison, Michigan

**Financial Report
with Supplemental Information
June 30, 2022**

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Independent Auditor's Report

To the City Council
City of Davison, Michigan

Opinions

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

In our opinion, the accompanying 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 as of June 30, 2022 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2022, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which changes accounting and financial reporting for leases by governments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

To the City Council
City of Davison, Michigan

In performing an audit in accordance with GAAS, we:

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

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

Required 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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.



November 28, 2022

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, 2022. 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 \$5.9 million.
- The City's overall unrestricted net position is a deficit of approximately \$7.0 million.
- General Fund revenue exceeded expenditures by approximately \$114 thousand, leaving the General Fund with a fund balance of \$1,729,176.

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			
	2021	2022	Change	Percent Change
Assets				
Other assets	\$ 5,990,704	\$ 6,940,119	\$ 949,415	15.8
Capital assets	5,211,567	4,936,151	(275,416)	(5.3)
Total assets	11,202,271	11,876,270	673,999	6.0
Deferred Outflows of Resources	996,171	1,059,932	63,761	6.4
Liabilities				
Current liabilities	238,935	707,398	468,463	196.1
Long-term liabilities	11,047,582	10,875,106	(172,476)	(1.6)
Total liabilities	11,286,517	11,582,504	295,987	2.6
Deferred Inflows of Resources	859,479	1,222,392	362,913	42.2
Net Position				
Investment in capital assets	4,485,004	4,294,588	(190,416)	(4.2)
Restricted	2,491,281	2,777,186	285,905	11.5
Unrestricted	(6,923,839)	(6,940,468)	(16,629)	0.2
Total net position	\$ 52,446	\$ 131,306	\$ 78,860	150.4

City of Davison, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities			
	2021	2022	Change	Percent Change
Assets				
Other assets	\$ 4,916,214	\$ 5,506,242	\$ 590,028	12.0
Capital assets	6,043,061	6,266,689	223,628	3.7
Total assets	10,959,275	11,772,931	813,656	7.4
Deferred Outflows of Resources	404,326	391,347	(12,979)	(3.2)
Liabilities				
Current liabilities	127,177	168,114	40,937	32.2
Long-term liabilities	5,972,935	5,258,858	(714,077)	(12.0)
Total liabilities	6,100,112	5,426,972	(673,140)	(11.0)
Deferred Inflows of Resources	348,052	919,970	571,918	164.3
Net Position				
Investment in capital assets	4,643,080	5,256,708	613,628	13.2
Restricted	780,448	525,929	(254,519)	(32.6)
Unrestricted	(508,091)	34,699	542,790	(106.8)
Total net position	<u>\$ 4,915,437</u>	<u>\$ 5,817,336</u>	<u>\$ 901,899</u>	18.3

Governmental Activities

The governmental net position increased by 150.4 percent from a year ago, increasing from \$52,446 to \$131,306. 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, decreased by \$16,629 for the governmental activities. This represents a decrease of approximately 0.2 percent. The current level of unrestricted net position for our governmental activities stands at \$(6,940,468).

Business-type Activities

The net position of business-type activities increased by 18.3 percent from a year ago, increasing from \$4,915,437 to \$5,817,336.

Unrestricted net position of business-type activities increased by \$542,790, approximately 106.8 percent. The current level of unrestricted net position stands at \$34,699.

The City's Changes in Net Position

	Governmental Activities			
	2021	2022	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 807,168	\$ 852,834	\$ 45,666	5.7
Operating grants	709,733	621,615	(88,118)	(12.4)
Capital grants	101,758	28,731	(73,027)	(71.8)
General revenue:				
Property taxes	1,671,161	1,684,176	13,015	0.8
State-shared revenue	730,484	643,464	(87,020)	(11.9)
Investment earnings	12,104	7,295	(4,809)	(39.7)
Other revenue	153,870	185,419	31,549	20.5
Total revenue	4,186,278	4,023,534	(162,744)	(3.9)
Expenses				
General government	748,365	696,183	(52,182)	(7.0)
Public safety	1,592,377	1,638,475	46,098	2.9
Public works	1,416,928	1,352,642	(64,286)	(4.5)
Community and economic development	7,567	8,423	856	11.3
Recreation and culture	270,971	238,182	(32,789)	(12.1)
Debt service	12,152	10,769	(1,383)	(11.4)
Total expenses	4,048,360	3,944,674	(103,686)	(2.6)
Change in Net Position	137,918	78,860	(59,058)	(42.8)
Net Position (Deficit) - Beginning of year	(85,472)	52,446	137,918	(161.4)
Net Position - End of year	\$ 52,446	\$ 131,306	\$ 78,860	150.4

	Business-type Activities			
	2021	2022	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 2,974,644	\$ 3,004,798	\$ 30,154	1.0
Operating grants	106,570	-	(106,570)	(100.0)
General revenue - Investment earnings	550	15,106	14,556	2,646.5
Total revenue	3,081,764	3,019,904	(61,860)	(2.0)
Operating Expenses	2,050,867	2,118,005	67,138	3.3
Change in Net Position	1,030,897	901,899	(128,998)	(12.5)
Net Position - Beginning of year	3,884,540	4,915,437	1,030,897	26.5
Net Position - End of year	\$ 4,915,437	\$ 5,817,336	\$ 901,899	18.3

Governmental Activities

The City's total governmental revenue decreased by \$162,744, or 3.9 percent. This was due primarily to a decrease in operating grants and state-shared revenue.

Expenses decreased by \$103,686, or 2.6 percent, during the year. This was due primarily to a decrease in general government and public works resulting from a decrease in projects performed during the year.

Business-type Activities

The City's total business-type revenue decreased by \$61,860, or 2.0 percent. This was due primarily to an increase in charges for services.

Expenses increased by \$67,138, or 3.3 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 2022 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 \$1.5 million in 2022. 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 \$106 thousand under budget. That resulted in an overall increase in General Fund fund balance of approximately \$114 thousand, which is higher than the amended budgeted change of approximately \$11 thousand.

Capital Assets and Debt Administration

At the end of 2022, the City had invested approximately \$9.6 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 \$642 thousand in bonds and other debt outstanding for governmental activities and approximately \$1.0 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

In the next fiscal year, the City will continue W. Clark Street and W. Flint resurfacing projects. The City also created the Davison Fire and Police Special Assessment District beginning in fiscal year 2023 to pay for certain costs and expenses of fire and police motor vehicles, apparatus, equipment, housing, and operations, etc.

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, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 5,378,930	\$ 3,810,120	\$ 9,189,050	\$ 247,855
Receivables:				
Property taxes receivable	3,027	-	3,027	-
Customer receivables	-	722,223	722,223	-
Leases receivable (Note 14)	28,371	417,263	445,634	-
Other receivables	54,889	-	54,889	-
Due from other governments	213,166	-	213,166	-
Internal balances	(358)	358	-	-
Inventory	31,470	-	31,470	-
Prepaid expenses and other assets	218,135	30,349	248,484	11,721
Restricted assets (Note 1)	-	525,929	525,929	-
Investment in joint ventures (Note 13)	1,012,489	-	1,012,489	-
Land held for resale (Note 1)	-	-	-	79,880
Capital assets: (Note 5)				
Assets not subject to depreciation	1,498,074	80,495	1,578,569	-
Assets subject to depreciation - Net	3,438,077	6,186,194	9,624,271	1,104
Total assets	11,876,270	11,772,931	23,649,201	340,560
Deferred Outflows of Resources				
Deferred pension costs (Note 8)	889,370	318,248	1,207,618	-
Deferred OPEB costs (Note 9)	170,562	73,099	243,661	-
Total deferred outflows of resources	1,059,932	391,347	1,451,279	-
Liabilities				
Accounts payable	104,297	137,848	242,145	2,180
Due to other governmental units	4,513	-	4,513	-
Deposits	-	14,034	14,034	-
Accrued liabilities and other	85,650	16,232	101,882	-
Unearned revenue	512,938	-	512,938	-
Noncurrent liabilities:				
Due within one year: (Note 7)				
Compensated absences	80,347	8,673	89,020	-
Current portion of long-term debt	90,000	410,000	500,000	-
Due in more than one year:				
Net OPEB liability (Note 9)	4,724,937	2,024,975	6,749,912	-
Net pension liability (Note 8)	5,428,259	2,215,229	7,643,488	-
Long-term debt (Note 7)	551,563	599,981	1,151,544	-
Total liabilities	11,582,504	5,426,972	17,009,476	2,180
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 8)	456,161	194,305	650,466	-
Deferred OPEB cost reductions (Note 9)	738,314	316,421	1,054,735	-
Deferred inflows from leases	27,917	409,244	437,161	-
Total deferred inflows of resources	1,222,392	919,970	2,142,362	-
Net Position				
Net investment in capital assets	4,294,588	5,256,708	9,551,296	1,104
Restricted for:				
Street maintenance and construction	2,004,972	-	2,004,972	-
Debt service	769,875	-	769,875	-
Rubbish collections	2,339	-	2,339	-
Revenue bond reserve	-	525,929	525,929	-
Unrestricted	(6,940,468)	34,699	(6,905,769)	337,276
Total net position	\$ 131,306	\$ 5,817,336	\$ 5,948,642	\$ 338,380

City of Davison, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 696,183	\$ 493,473	\$ -	\$ 28,731
Public safety	1,638,475	36,328	-	-
Public works	1,352,642	313,433	621,615	-
Community and economic development	8,423	-	-	-
Recreation and culture	238,182	9,600	-	-
Interest on long-term debt	10,769	-	-	-
Total governmental activities	<u>3,944,674</u>	<u>852,834</u>	<u>621,615</u>	<u>28,731</u>
Business-type activities:				
Sewer Fund	1,053,215	1,347,326	-	-
Water Fund	1,064,790	1,657,472	-	-
Total business-type activities	<u>2,118,005</u>	<u>3,004,798</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 6,062,679</u>	<u>\$ 3,857,632</u>	<u>\$ 621,615</u>	<u>\$ 28,731</u>
Component units:				
Downtown Development Authority	\$ 88,369	\$ -	\$ -	\$ -
Local Development Finance Authority	3,000	-	-	-
Total component units	<u>\$ 91,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Franchise fees				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2022

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (173,979)	\$ -	\$ (173,979)	\$ -
(1,602,147)	-	(1,602,147)	-
(417,594)	-	(417,594)	-
(8,423)	-	(8,423)	-
(228,582)	-	(228,582)	-
(10,769)	-	(10,769)	-
(2,441,494)	-	(2,441,494)	-
-	294,111	294,111	-
-	592,682	592,682	-
-	886,793	886,793	-
(2,441,494)	886,793	(1,554,701)	-
-	-	-	(88,369)
-	-	-	(3,000)
-	-	-	(91,369)
1,684,176	-	1,684,176	87,961
643,464	-	643,464	19,980
7,295	13,938	21,233	12
86,197	-	86,197	-
99,222	1,168	100,390	29,304
2,520,354	15,106	2,535,460	137,257
78,860	901,899	980,759	45,888
52,446	4,915,437	4,967,883	292,492
\$ 131,306	\$ 5,817,336	\$ 5,948,642	\$ 338,380

Governmental Funds
Balance Sheet

June 30, 2022

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (Note 3)	\$ 2,059,035	\$ 1,244,805	\$ 604,711	\$ 805,584	\$ 4,714,135
Receivables:					
Property taxes receivable	3,027	-	-	-	3,027
Leases receivable (Note 14)	28,371	-	-	-	28,371
Other receivables	42,488	-	-	-	42,488
Due from other governments	120,613	67,704	24,849	-	213,166
Due from other funds (Note 6)	810	309	25	-	1,144
Inventory	31,470	-	-	-	31,470
Prepays and other assets	102,442	100,681	264	-	203,387
Total assets	\$ 2,388,256	\$ 1,413,499	\$ 629,849	\$ 805,584	\$ 5,237,188
Liabilities					
Accounts payable	\$ 47,245	\$ 21,056	\$ 1,022	\$ 33,370	\$ 102,693
Due to other governmental units	4,513	-	-	-	4,513
Due to other funds (Note 6)	943	-	690	-	1,633
Accrued liabilities and other	65,524	9,248	6,360	-	81,132
Unearned revenue	512,938	-	-	-	512,938
Total liabilities	631,163	30,304	8,072	33,370	702,909
Deferred Inflows of Resources - Deferred inflows from leases					
	27,917	-	-	-	27,917
Total liabilities and deferred inflows of resources	659,080	30,304	8,072	33,370	730,826
Fund Balances					
Nonspendable:					
Inventory	31,470	-	-	-	31,470
Prepays	102,442	100,681	264	-	203,387
Restricted:					
Street maintenance and construction	-	1,282,514	621,513	-	1,904,027
Debt service	-	-	-	769,875	769,875
Rubbish collections	-	-	-	2,339	2,339
Assigned - Subsequent year's budget	67,050	-	-	-	67,050
Unassigned	1,528,214	-	-	-	1,528,214
Total fund balances	1,729,176	1,383,195	621,777	772,214	4,506,362
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,388,256	\$ 1,413,499	\$ 629,849	\$ 805,584	\$ 5,237,188

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

	June 30, 2022
Fund Balances Reported in Governmental Funds	\$ 4,506,362
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	4,691,830
Investments in joint ventures are not financial resources and are not reported in the funds	1,012,489
Bonds payable are not due and payable in the current period and are not reported in the funds	(641,563)
Accrued interest is not due and payable in the current period and is not reported in the funds	(2,606)
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	(80,347)
Net pension liability does not present a claim on current financial resources and is not reported as a fund liability	(5,428,259)
Other postemployment benefit liabilities do not present a claim on current financial resources and are not reported as fund liabilities	(4,724,937)
Deferred outflows of resources related to pensions	889,370
Deferred outflows of resources related to OPEB	170,562
Deferred inflows of resources related to pensions	(456,161)
Deferred inflows of resources related to OPEB	(738,314)
Internal service funds are included as part of governmental activities	932,880
Net Position of Governmental Activities	<u>\$ 131,306</u>

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

Year Ended June 30, 2022

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 1,530,007	\$ -	\$ -	\$ 154,169	\$ 1,684,176
Special assessments	-	-	-	310,380	310,380
Intergovernmental - State sources	718,519	451,441	170,174	-	1,340,134
Charges for services	34,305	-	-	-	34,305
Fines and forfeitures	4,698	-	-	-	4,698
Licenses and permits	41,910	-	-	-	41,910
Interest and rentals:					
Investment earnings	4,194	148	91	340	4,773
Rental income	47,823	-	-	-	47,823
Lease revenue	37,224	-	-	-	37,224
Other revenue:					
Miscellaneous income	103,645	-	-	-	103,645
Cable franchise fees	86,197	-	-	-	86,197
Total revenue	2,608,522	451,589	170,265	464,889	3,695,265
Expenditures					
Current services:					
General government	361,834	-	-	-	361,834
Public safety	1,489,994	-	-	-	1,489,994
Public works	434,800	246,040	123,493	335,190	1,139,523
Community and economic development	8,423	-	-	-	8,423
Recreation and culture	199,092	-	-	-	199,092
Debt service:					
Principal	-	-	-	85,000	85,000
Interest on long-term debt	-	-	-	11,115	11,115
Total expenditures	2,494,143	246,040	123,493	431,305	3,294,981
Net Change in Fund Balances	114,379	205,549	46,772	33,584	400,284
Fund Balances - Beginning of year	1,614,797	1,177,646	575,005	738,630	4,106,078
Fund Balances - End of year	<u>\$ 1,729,176</u>	<u>\$ 1,383,195</u>	<u>\$ 621,777</u>	<u>\$ 772,214</u>	<u>\$ 4,506,362</u>

Governmental Funds

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

Year Ended June 30, 2022

Net Change in Fund Balances Reported in Governmental Funds	\$	400,284
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		34,399
Depreciation expense		(286,226)
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		1,948
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		(58,681)
Change in accrued interest payable		346
The change in the net pension liability is recorded when incurred in the statement of activities		(285,204)
The change in the net OPEB liability is recorded when incurred in the statement of activities		370,732
Change in deferred outflows of resources related to pensions is recorded in the statement of activities		155,966
Change in deferred outflows of resources related to OPEB is recorded in the statement of activities		(92,205)
Change in deferred inflows of resources related to pensions is recorded in the statement of activities		(153,840)
Change in deferred inflows of resources related to OPEB is recorded in the statement of activities		(181,156)
Internal service funds are included as part of governmental activities		154,597
Change in Net Position of Governmental Activities	\$	<u>78,860</u>

Proprietary Funds
Statement of Net Position

June 30, 2022

	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total Enterprise Funds	Proprietary Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 1,976,681	\$ 1,833,439	\$ 3,810,120	\$ 664,795
Receivables:				
Customer receivables	333,639	388,584	722,223	-
Leases receivable (Note 14)	-	417,263	417,263	-
Other receivables	-	-	-	12,401
Due from other funds	196	745	941	131
Prepaid expenses and other assets	13,215	17,134	30,349	14,748
Total current assets	2,323,731	2,657,165	4,980,896	692,075
Noncurrent assets:				
Restricted assets (Note 1)	-	525,929	525,929	-
Capital assets - Net (Note 5)	1,177,730	5,088,959	6,266,689	244,321
Total noncurrent assets	1,177,730	5,614,888	6,792,618	244,321
Total assets	3,501,461	8,272,053	11,773,514	936,396
Deferred Outflows of Resources				
Deferred pension costs (Note 8)	116,691	201,557	318,248	-
Deferred OPEB costs (Note 9)	26,803	46,296	73,099	-
Total deferred outflows of resources	143,494	247,853	391,347	-
Liabilities				
Current liabilities:				
Accounts payable	56,076	81,772	137,848	1,604
Due to other funds (Note 6)	583	-	583	-
Deposits	-	14,034	14,034	-
Accrued liabilities and other	2,265	13,967	16,232	1,912
Compensated absences (Note 7)	2,840	5,833	8,673	-
Current portion of long-term debt (Note 7)	-	410,000	410,000	-
Total current liabilities	61,764	525,606	587,370	3,516
Noncurrent liabilities:				
Net pension liability (Note 8)	812,249	1,402,980	2,215,229	-
Net OPEB liability (Note 9)	742,491	1,282,484	2,024,975	-
Long-term debt (Note 7)	-	599,981	599,981	-
Total noncurrent liabilities	1,554,740	3,285,445	4,840,185	-
Total liabilities	1,616,504	3,811,051	5,427,555	3,516
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 8)	71,246	123,059	194,305	-
Deferred OPEB cost reductions (Note 9)	116,021	200,400	316,421	-
Deferred inflows from leases	-	409,244	409,244	-
Total deferred inflows of resources	187,267	732,703	919,970	-
Net Position				
Net investment in capital assets	1,177,730	4,078,978	5,256,708	244,321
Restricted - Revenue bond reserve	-	525,929	525,929	-
Unrestricted	663,454	(628,755)	34,699	688,559
Total net position	\$ 1,841,184	\$ 3,976,152	\$ 5,817,336	\$ 932,880

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

Year Ended June 30, 2022

	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Proprietary Internal Service Fund
Operating Revenue				
Sale of water	\$ -	\$ 1,574,765	\$ 1,574,765	\$ -
Sewage disposal charges	1,332,236	-	1,332,236	-
Other sales to customers	-	13,400	13,400	-
Miscellaneous	15,090	18,369	33,459	-
Charges to other funds	-	-	-	339,096
Total operating revenue	1,347,326	1,606,534	2,953,860	339,096
Operating Expenses				
Cost of sewage treatment	686,794	-	686,794	-
Wages and benefits	178,155	461,218	639,373	91,987
Supplies	25,336	84,204	109,540	26,190
Heat, light, and power	11,906	85,159	97,065	-
Equipment maintenance and repair	54,785	93,878	148,663	27,197
Insurance expense	8,789	11,518	20,307	4,318
Professional fees	14,200	17,239	31,439	-
Miscellaneous	7,326	30,471	37,797	-
Depreciation	65,924	253,696	319,620	97,080
Total operating expenses	1,053,215	1,037,383	2,090,598	246,772
Operating Income	294,111	569,151	863,262	92,324
Nonoperating Revenue (Expense)				
Lease interest income	-	13,938	13,938	-
Interest expense	-	(27,407)	(27,407)	-
Gain on sale of assets	-	-	-	34,326
Lease revenue	-	50,938	50,938	-
Investment income	1,019	149	1,168	2,522
Total nonoperating revenue	1,019	37,618	38,637	36,848
Capital Contributions - Capital grants	-	-	-	25,425
Change in Net Position	295,130	606,769	901,899	154,597
Net Position - Beginning of year	1,546,054	3,369,383	4,915,437	778,283
Net Position - End of year	\$ 1,841,184	\$ 3,976,152	\$ 5,817,336	\$ 932,880

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2022

	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Proprietary Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,363,094	\$ 1,606,382	\$ 2,969,476	\$ -
Receipts from interfund services and reimbursements	451	2,123	2,574	339,010
Payments to suppliers	(853,159)	(319,294)	(1,172,453)	(69,202)
Payments to employees	(312,858)	(411,688)	(724,546)	(91,241)
Other receipts	-	-	-	498
Net cash and cash equivalents provided by operating activities	197,528	877,523	1,075,051	179,065
Cash Flows from Capital and Related Financing Activities				
Receipt of capital grants	-	-	-	25,425
Proceeds from sale of capital assets	-	-	-	34,326
Purchase of capital assets	(211,513)	(331,735)	(543,248)	(73,491)
Principal and interest paid on capital debt	-	(419,788)	(419,788)	-
Lease receipts	-	56,857	56,857	-
Net cash and cash equivalents used in capital and related financing activities	(211,513)	(694,666)	(906,179)	(13,740)
Cash Flows Provided by Investing Activities -				
Interest received on investments	1,019	149	1,168	2,522
Net (Decrease) Increase in Cash and Cash Equivalents	(12,966)	183,006	170,040	167,847
Cash and Cash Equivalents - Beginning of year	1,989,647	2,176,362	4,166,009	496,948
Cash and Cash Equivalents - End of year	\$ 1,976,681	\$ 2,359,368	\$ 4,336,049	\$ 664,795
Statement of Net Position Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 1,976,681	\$ 1,833,439	\$ 3,810,120	\$ 664,795
Restricted cash	-	525,929	525,929	-
Total cash and cash equivalents	\$ 1,976,681	\$ 2,359,368	\$ 4,336,049	\$ 664,795

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2022

	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Proprietary Internal Service Fund
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ 294,111	\$ 569,151	\$ 863,262	\$ 92,324
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	65,924	253,696	319,620	97,080
Changes in assets and liabilities:				
Receivables	15,768	(152)	15,616	498
Due to and from other funds	451	2,123	2,574	(86)
Prepaid and other assets	(10,064)	(70,753)	(80,817)	(12,531)
Net pension or OPEB asset	(53,342)	49,530	(3,812)	746
Accounts payable	(57,842)	73,928	16,086	1,034
Accrued and other liabilities	(57,478)	-	(57,478)	-
Net cash and cash equivalents provided by operating activities	<u>\$ 197,528</u>	<u>\$ 877,523</u>	<u>\$ 1,075,051</u>	<u>\$ 179,065</u>

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2022

	Pension and Other Postemployment Benefit Trust Funds	Custodial Fund - Tax Collection Fund
Assets		
Cash and cash equivalents	\$ 73,648	\$ -
Investments: (Note 4)		
Stocks	211,165	-
Bonds	249,438	-
Real estate	50,589	-
Mutual funds	507,514	-
Interest in pooled investments (Note 4)	1,095,620	-
Receivables	3,329	-
Total assets	2,191,303	-
Liabilities		
	-	-
Net Position		
Restricted:		
Pension (Note 8)	1,095,683	-
Postemployment benefits other than pension (Note 9)	1,095,620	-
Total net position	\$ 2,191,303	\$ -

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2022

	Pension and Other Postemployment Benefit Trust Funds	Custodial Fund - Tax Collection Fund
Additions		
Investment income (loss):		
Interest and dividends	\$ 43,861	\$ -
Net decrease in fair value of investments	(239,053)	-
Investment-related expenses	(9,503)	-
Net investment loss	(204,695)	-
Contributions - Employer	401,378	-
Property tax collections for other governments	-	4,434,413
Total additions	196,683	4,434,413
Deductions		
Benefit payments	395,422	-
Administrative expenses	4,786	-
Tax distributions to other governments	-	4,434,413
Total deductions	400,208	4,434,413
Net Decrease in Fiduciary Net Position	(203,525)	-
Net Position - Beginning of year	2,394,828	-
Net Position - End of year	\$ 2,191,303	\$ -

**Component Units
Statement of Net Position**

June 30, 2022

	Downtown Development Authority	Local Development Finance Authority	Total
Assets			
Cash and cash equivalents	\$ 133,308	\$ 114,547	\$ 247,855
Prepaid expenses and other assets	11,721	-	11,721
Land held for resale (Note 1)	-	79,880	79,880
Capital assets - Net (Note 5)	1,104	-	1,104
Total assets	146,133	194,427	340,560
Liabilities - Accounts payable	2,180	-	2,180
Net Position			
Net investment in capital assets	1,104	-	1,104
Unrestricted	142,849	194,427	337,276
Total net position	\$ 143,953	\$ 194,427	\$ 338,380

City of Davison, Michigan

Component Units Statement of Activities

Year Ended June 30, 2022

	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Local Development Finance Authority	Total
Functions/Programs							
Downtown Development Authority	\$ 88,369	\$ -	\$ -	\$ -	\$ (88,369)	\$ -	\$ (88,369)
Local Development Finance Authority	3,000	-	-	-	-	(3,000)	(3,000)
Total component units	<u>\$ 91,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(88,369)	(3,000)	(91,369)
General revenue:							
Property taxes					79,844	8,117	87,961
Local community stabilization authority					-	19,980	19,980
Unrestricted investment income					12	-	12
Other miscellaneous income					29,304	-	29,304
Total general revenue					<u>109,160</u>	<u>28,097</u>	<u>137,257</u>
Change in Net Position					20,791	25,097	45,888
Net Position - Beginning of year					<u>123,162</u>	<u>169,330</u>	<u>292,492</u>
Net Position - End of year					<u>\$ 143,953</u>	<u>\$ 194,427</u>	<u>\$ 338,380</u>

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. The discretely presented component units are reported together in a separate column in the government-wide financial statements to emphasize that they are 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

Nonunion Pension Benefit Trust Fund

For the Nonunion Pension Benefit Trust Fund, the City has not created a separate board to oversee the pension plan; therefore, the City is considered the equivalent to a governing board of the pension plan. 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 governing board, and the plan imposes a financial burden on the City. There are no separately issued financial statements.

Other Postemployment Benefits Trust Fund

For the Other Postemployment Benefits Trust 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.

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.

Note 1 - Significant Accounting Policies (Continued)

- 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 Trust 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.

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 \$525,929 at June 30, 2022.

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 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:

	<u>Depreciable Life - Years</u>
Buildings and improvements	10-40
Improvements other than buildings	10-40
Machinery and equipment	5-7
Infrastructure	39-40
Water and sewer lines	40

Unearned Revenue

Unearned revenue represents amounts received through nonexchange transactions prior to all applicable eligibility criteria being met or the amount being received through exchange transactions prior to goods or services being provided. The City has one item in unearned revenue related to funds received from the American Rescue Plan Act, which qualifies for reporting in this category.

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 bond 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, the OPEB plan, and future lease receipts. The deferred inflows of resources to pension, OPEB, and future lease receipts are reported in the government-wide financial statements and the General, 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.

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 the 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 the 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.

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.

Note 1 - Significant Accounting Policies (Continued)

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 2021 tax is levied and collectible on July 1, 2021 and is recognized as revenue in the year ended June 30, 2022 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2021 taxable valuation of the City totaled \$118.8 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 \$154 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, 2022 by district are as follows:

District 1	\$	2,123,725
District 2		546,342

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, 2022 is \$300,328.

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

Note 1 - Significant Accounting Policies (Continued)

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, 2022, 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.

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.

Note 1 - Significant Accounting Policies (Continued)

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.

Leases

The City is a lessor for noncancelable leases of a building and cell antennas on top of water towers. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide financial statements, General Fund, and Water Fund.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The City uses the actual rate charged to lessees as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Note 1 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncements

During the current year, the City adopted GASB Statement No. 87, *Leases*. As a result, the governmental activities, business-type activities, General Fund, and Water Fund now include receivables for the present value of payments expected to be received and deferred inflows of resources that will be recognized as revenue over the term of the lease. The result of implementation had no impact on beginning net position. Lease activity is further described in Note 14.

Upcoming Accounting Pronouncements

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets, and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2025.

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, 2021	\$ (752,107)
Current year permit revenue	31,630
Related expenses - Direct costs	<u>37,699</u>
Current year shortfall	<u>(6,069)</u>
Cumulative shortfall at June 30, 2022	<u><u>\$ (758,176)</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 \$8,488,810 (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	\$ 249,438	\$ 14,980	\$ 167,919	\$ 43,754	\$ 22,785

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, 2022, 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	\$ 32,415	AA	S&P
Fixed income	9,691	A-	S&P
Fixed income	72,830	BBB	S&P
Fixed income	34,467	BBB+	S&P
Fixed income	52,710	BBB-	S&P
Fixed income	31,025	BB+	S&P
Fixed income	16,300	B+	S&P
Mutual funds - Bonds	213,113	Not rated	N/A

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, 2022:

<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2022</u>				
	<u>Quoted Prices in</u>			
	<u>Active Markets</u>	<u>Significant Other</u>	<u>Significant</u>	
	<u>for Identical</u>	<u>Observable</u>	<u>Unobservable</u>	
	<u>Assets</u>	<u>Inputs</u>	<u>Inputs</u>	<u>Balance at</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>June 30, 2022</u>
Investments by Fair Value Level				
Fixed income	\$ 249,438	\$ -	\$ -	\$ 249,438
Equity	211,165	-	-	211,165
Mutual funds	507,514	-	-	507,514
Real estate	50,589	-	-	50,589
	<u>\$ 1,018,706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,018,706</u>
Total investments by fair value level				

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 June 30, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded</u>	<u>Redemption</u>	<u>Redemption</u>
		<u>Commitments</u>	<u>Frequency, if</u>	<u>Notice Period</u>
			<u>Eligible</u>	
MERS Total Market Portfolio	\$ 1,095,620	\$ -	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, 2022

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities for the year ended June 30, 2022 was as follows:

Governmental Activities

	Balance July 1, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 1,470,882	\$ -	\$ -	\$ 1,470,882
Construction in progress	-	27,192	-	27,192
Subtotal	1,470,882	27,192	-	1,498,074
Capital assets being depreciated:				
Infrastructure	5,130,821	-	-	5,130,821
Buildings and improvements	1,550,048	-	-	1,550,048
Machinery and equipment	1,995,082	73,491	(171,648)	1,896,925
Improvements other than buildings	875,892	7,207	-	883,099
Subtotal	9,551,843	80,698	(171,648)	9,460,893
Accumulated depreciation:				
Infrastructure	2,416,839	233,402	-	2,650,241
Buildings and improvements	1,019,956	24,596	-	1,044,552
Machinery and equipment	1,696,013	110,774	(171,648)	1,635,139
Improvements other than buildings	678,350	14,534	-	692,884
Subtotal	5,811,158	383,306	(171,648)	6,022,816
Net capital assets being depreciated	3,740,685	(302,608)	-	3,438,077
Net governmental activities capital assets	<u>\$ 5,211,567</u>	<u>\$ (275,416)</u>	<u>\$ -</u>	<u>\$ 4,936,151</u>

June 30, 2022

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in progress	-	79,495	-	79,495
Subtotal	1,000	79,495	-	80,495
Capital assets being depreciated:				
Water and sewer lines	13,404,187	40,728	-	13,444,915
Buildings and improvements	139,395	-	-	139,395
Machinery and equipment	314,762	423,025	-	737,787
Subtotal	13,858,344	463,753	-	14,322,097
Accumulated depreciation:				
Water and sewer lines	7,504,227	275,491	-	7,779,718
Buildings and improvements	87,959	3,429	-	91,388
Machinery and equipment	224,097	40,700	-	264,797
Subtotal	7,816,283	319,620	-	8,135,903
Net capital assets being depreciated	6,042,061	144,133	-	6,186,194
Net business-type activities capital assets	<u>\$ 6,043,061</u>	<u>\$ 223,628</u>	<u>\$ -</u>	<u>\$ 6,266,689</u>

Capital asset activity for the City's component units for the year ended June 30, 2022 was as follows:

Component Units

	Balance July 1, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets being depreciated -				
Equipment and furniture	\$ 29,837	\$ -	\$ -	\$ 29,837
Accumulated depreciation -				
Equipment and furniture	27,714	1,019	-	28,733
Net component units capital assets	<u>\$ 2,123</u>	<u>\$ (1,019)</u>	<u>\$ -</u>	<u>\$ 1,104</u>

Depreciation expense was charged to programs of the primary government for the year ended June 30, 2022 as follows:

Governmental activities:	
General government	\$ 127,661
Public works	222,851
Recreation and culture	32,794
Total governmental activities	<u>\$ 383,306</u>

June 30, 2022

Note 5 - Capital Assets (Continued)

Business-type activities:	
Sewer	\$ 65,924
Water	<u>253,696</u>
Total business-type activities	<u>\$ 319,620</u>

Depreciation expense for the component units for the year ended June 30, 2022 was as follows:

Component units activities	\$ 1,019
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Construction Commitments

The City has an active construction project at year end related to street and water improvements. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Street/Water project	<u>\$ 106,687</u>	<u>\$ 393,113</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2022 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Local Streets Fund	\$ 690
	Sewer Fund	<u>120</u>
	Total General Fund	810
Major Streets Fund	General Fund	309
Local Streets Fund	General Fund	25
Sewer Fund	General Fund	196
Water Fund	General Fund	282
	Sewer Fund	<u>463</u>
	Total Water Fund	745
Internal Service Fund	General Fund	<u>131</u>
	Total	<u>\$ 2,216</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, 2022

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	\$ 726,563	\$ -	\$ (85,000)	\$ 641,563	\$ 90,000
Compensated absences	82,295	98,241	(100,189)	80,347	80,347
Total governmental activities long-term debt	\$ 808,858	\$ 98,241	\$ (185,189)	\$ 721,910	\$ 170,347

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	\$ 90,000	\$ -	\$ (45,000)	\$ 45,000	\$ 45,000
Revenue Bonds - Drinking Water Revolving Loan Fund Debt	1,309,981	-	(345,000)	964,981	365,000
Total bonds and contracts payable - other debt - capital improvement bonds	1,399,981	-	(390,000)	1,009,981	410,000
Compensated absences	12,495	10,591	(14,413)	8,673	8,673
Total business-type activities long-term debt	\$ 1,412,476	\$ 10,591	\$ (404,413)	\$ 1,018,654	\$ 418,673

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, 2022 are as follows:

	Year Issued	Interest Rates	Maturing	Outstanding
Governmental Activities General Obligation Capital Improvement Bonds	2007	1.625%	2028	\$ 641,563
Business-type Activities Water Capital Improvement Bonds	2013	1.2% - 4.45%	2023	45,000

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 \$997,668. During the current year, net revenue of the system was \$873,785, compared to annual debt requirements of \$373,437.

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
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	95,000	3,804	98,804	-	-	-
2028-2032	186,563	3,004	189,567	-	-	-
Total	\$ 641,563	\$ 36,810	\$ 678,373	\$ 1,009,981	\$ 33,137	\$ 1,043,118

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.

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, 2021, the most recent valuation, there were 6 active plan members, 11 retirees and beneficiaries receiving benefits, and 2 terminated plan members 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, 2021, the most recent valuation, there were 4 active plan members, 7 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, 2021, the most recent valuation, there were 6 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.

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, 2022.

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, 2021	June 30, 2022
Inactive plan members or beneficiaries currently receiving benefits	25	5
Inactive plan members entitled to but not yet receiving benefits	3	2
Active plan members	16	2
Total employees covered by the plan	<u>44</u>	<u>9</u>

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 3.20 percent to 55.06 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, 2022, the annual required contribution was \$28,422.

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 target asset allocation as of June 30, 2022:

Asset Class	Target Allocation
Equity	48.40%
Fixed income	42.93%
Cash	8.67%

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on the nonunion pension plan investments, net of pension plan investment expense, was (9.14) 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.

	Union and Supervisors	Nonunion
Measurement date used for the City's net pension liability	December 31, 2021	June 30, 2022

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

Union and Supervisors

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2020	\$ 15,021,847	\$ 7,695,714	\$ 7,326,133
Changes for the year:			
Service cost	148,492	-	148,492
Interest	1,114,248	-	1,114,248
Differences between expected and actual experience	(55,204)	-	(55,204)
Changes in assumptions	620,907	-	620,907
Contributions - Employer	-	704,626	(704,626)
Contributions - Employee	-	46,614	(46,614)
Net investment income	-	1,031,449	(1,031,449)
Benefit payments, including refunds	(869,889)	(869,889)	-
Administrative expenses	-	(12,223)	12,223
Net changes	958,554	900,577	57,977
Balance at December 31, 2021	\$ 15,980,401	\$ 8,596,291	\$ 7,384,110

Note 8 - Defined Benefit Pension Plans (Continued)

Assumption Changes - Union and Supervisors

For the December 31, 2021 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 investment rate of return and discount rate decreasing from 7.60 percent to 7.25 percent. See below for the assumptions used.

Nonunion

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2021	\$ 1,347,928	\$ 1,259,907	\$ 88,021
Changes for the year:			
Service cost	3,587	-	3,587
Interest	78,597	-	78,597
Differences between expected and actual experience	5,247	-	5,247
Changes in assumptions	2,825	-	2,825
Contributions - Employer	-	32,500	(32,500)
Net investment loss	-	(101,349)	101,349
Benefit payments, including refunds	(83,123)	(83,123)	-
Administrative expenses	-	(12,252)	12,252
Net changes	7,133	(164,224)	171,357
Balance at June 30, 2022	\$ 1,355,061	\$ 1,095,683	\$ 259,378

The plan's fiduciary net position represents 80.9 percent of the total pension liability.

Assumption Changes - Nonunion

For the June 30, 2022 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 projection scale being updated from Scale MP-2020 to MP-2021.

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

For the year ended June 30, 2022, the City recognized pension expense of \$997,990 for the union and supervisors plan and \$71,293 for the nonunion plan.

Note 8 - Defined Benefit Pension Plans (Continued)

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Union and Supervisors		Nonunion	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 20,893	\$ (37,846)	\$ 30,489	\$ -
Changes in assumptions	688,487	-	37,404	(2,787)
Net difference between projected and actual earnings on pension plan investments	-	(609,833)	78,893	-
Employer contributions to the plan subsequent to the measurement date	351,452	-	-	-
Total	\$ 1,060,832	\$ (647,679)	\$ 146,786	\$ (2,787)

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 \$351,452 employer contributions to the union and supervisors plan made subsequent to the measurement date, which will impact the net pension liability in fiscal year 2022 rather than pension expense.

Years Ending June 30	Union and Supervisors	Nonunion
2023	\$ 390,380	\$ 31,426
2024	(59,511)	36,637
2025	(178,858)	20,852
2026	(90,310)	47,875
2027	-	7,209
Thereafter	-	-
Total	\$ 61,701	\$ 143,999

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)	7.25	6.00
Mortality rates	Pub-2010 Juvenile and PubG-2010 Employee and Healthy Retiree mortality tables using Scale MP-2019	PubG-2010 amount-weighted Retiree Mortality tables with generation projection using Scale MP-2021

Note 8 - Defined Benefit Pension Plans (Continued)

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	7.25	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.

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, 2021, 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 %	4.50 %
Global fixed income	20.00	2.00
Private investments	20.00	7.00

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, 2022 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	48.40 %	5.50 %
Fixed income	42.93	2.25
Cash	8.67	-

Note 8 - Defined Benefit Pension Plans (Continued)

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 7.25 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 (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension liability of the City	\$ 9,409,451	\$ 7,384,110	\$ 5,712,961

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	\$ 397,762	\$ 259,378	\$ 141,497

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 varies 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.
- 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, 2022
Inactive plan members or beneficiaries currently receiving benefits	22
Active plan members	12
Total plan members	34

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, 2022, the City made payments for postemployment health benefit premiums of \$312,299 and additional contributions of \$56,579.

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, 2022 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, 2022 measurement date. The June 30, 2022 total OPEB liability was determined by an actuarial valuation performed as of January 1, 2022, which used update procedures to roll forward the estimated liability to June 30, 2022.

Note 9 - Other Postemployment Benefit Plan (Continued)

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, 2021	\$ 8,519,950	\$ 1,134,921	\$ 7,385,029
Changes for the year:			
Service cost	102,902	-	102,902
Interest	592,854	-	592,854
Differences between expected and actual experience	(993,307)	-	(993,307)
Changes in assumptions	(64,568)	-	(64,568)
Contributions - Employer	-	368,878	(368,878)
Net investment loss	-	(93,844)	93,844
Benefit payments, including refunds	(312,299)	(312,299)	-
Administrative expenses	-	(2,036)	2,036
Net changes	(674,418)	(39,301)	(635,117)
Balance at June 30, 2022	<u>\$ 7,845,532</u>	<u>\$ 1,095,620</u>	<u>\$ 6,749,912</u>

The plan's fiduciary net position represents 14.0 percent of the total OPEB liability.

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$118,182.

At June 30, 2022, 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	\$ -	\$ (1,011,690)
Changes in assumptions	189,411	(43,045)
Net difference between projected and actual earnings	54,250	-
Total	<u>\$ 243,661</u>	<u>\$ (1,054,735)</u>

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
2023	\$ (499,820)
2024	(346,054)
2025	(238)
2026	35,038
Total	<u>\$ (811,074)</u>

Note 9 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 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 7.75 percent for 2022, 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-2021. 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.

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, 2022 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 %	4.50 %
Global fixed income	20.00	2.00
Private investments	20.00	7.00

Rates of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (8.23) 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	\$ 7,939,995	\$ 6,749,912	\$ 5,790,292

Note 9 - Other Postemployment Benefit Plan (Continued)

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 7.75 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 (6.75%)	Current Health Care Cost Trend Rate (7.75%)	1 Percentage Point Increase (8.75%)
Net OPEB liability of the City OPEB plan	\$ 5,763,846	\$ 6,749,912	\$ 7,971,798

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.

Assumption Changes

In the fiscal year ended June 30, 2022, there were assumption changes that resulted in a decrease in the calculated total OPEB liability. The assumptions changed during the year related to the generational projection scale for the mortality table being updated from MP-2018 to MP-2021.

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 \$119,101. The current year contribution was calculated based on covered payroll of \$119,101, resulting in an employer contribution of \$7,146.

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 \$78,997. The current year contribution was calculated based on covered payroll of \$78,997, resulting in an employer contribution of \$3,950.

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 \$119,101. The current year contribution was calculated based on covered payroll of \$119,101, resulting in an employer contribution of \$2,329.

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.

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, 2022, the City's contribution to the Senior Citizens Authority was \$4,400.

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 \$1,012,489 is recorded within the governmental activities column of the statement of net position.

During the year ended June 30, 2022, the City was billed \$155,392 by the Fire Authority. At year end, the City owed \$0 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.

June 30, 2022

Note 13 - Joint Ventures (Continued)

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, 2022, the City's contribution to Davison Community Enrichment and Recreation was \$45,000.

Note 14 - Leases

The City leases certain assets to various third parties. The assets leased include a building and cell antennas on top of water towers. Payments are generally fixed monthly.

During the year ended June 30, 2022, the City recognized the following related to its lessor agreements:

Lease revenue	\$	66,364
Interest income related to its leases		15,510

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,535,000	\$ 1,535,000	\$ 1,530,007	\$ (4,993)
Intergovernmental - State-shared revenue and grants	623,650	697,150	718,519	21,369
Charges for services	30,600	35,600	34,305	(1,295)
Fines and forfeitures	11,000	11,000	4,698	(6,302)
Licenses and permits	15,100	15,100	41,910	26,810
Interest and rentals:				
Investment earnings	9,250	9,250	4,194	(5,056)
Rental income	45,225	45,225	47,823	2,598
Lease revenue	38,350	38,350	37,224	(1,126)
Other revenue	203,175	203,175	189,842	(13,333)
Total revenue	2,511,350	2,589,850	2,608,522	18,672
Expenditures				
Current services:				
General government:				
Legislative (council)	20,100	20,100	18,865	1,235
Chief executive (manager, supervisor)	208,375	206,800	199,370	7,430
Finance/Accounting/Budget department	322,175	332,125	322,160	9,965
Purchasing	17,450	13,450	12,289	1,161
Treasurer	111,750	111,750	110,188	1,562
Assessing	34,300	27,300	26,301	999
Board of review	1,500	1,500	42	1,458
Clerk	90,200	90,975	90,792	183
Buildings and grounds	83,750	83,750	79,327	4,423
Less reimbursement from:				
Local streets	(8,975)	(8,100)	(8,100)	-
Major streets	(26,875)	(24,350)	(24,350)	-
Water	(221,425)	(204,225)	(204,225)	-
Sewer	(221,425)	(204,225)	(204,225)	-
Equipment	(49,275)	(44,600)	(44,600)	-
LDFA	(2,000)	(2,000)	(2,000)	-
DDA	(10,000)	(10,000)	(10,000)	-
Public safety:				
Police/Sheriff	1,352,675	1,336,450	1,296,903	39,547
Fire	155,000	155,500	155,392	108
Building inspections and related	38,000	38,000	37,699	301
Public works	439,200	453,600	434,800	18,800
Community and economic development	12,450	12,450	8,423	4,027
Recreation and culture:				
Library	42,200	39,200	31,676	7,524
Parks and recreation	163,500	170,500	163,016	7,484
Senior citizens	4,500	4,500	4,400	100
Total expenditures	2,557,150	2,600,450	2,494,143	106,307
Net Change in Fund Balance	(45,800)	(10,600)	114,379	124,979
Fund Balance - Beginning of year	1,614,797	1,614,797	1,614,797	-
Fund Balance - End of year	\$ 1,568,997	\$ 1,604,197	\$ 1,729,176	\$ 124,979

City of Davison, Michigan

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

Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
State-shared revenue and grants	\$ 456,000	\$ 456,000	\$ 451,441	\$ (4,559)
Investment income	450	450	148	(302)
Total revenue	456,450	456,450	451,589	(4,861)
Expenditures - Current - Highway and streets	732,425	732,425	246,040	486,385
Net Change in Fund Balance	(275,975)	(275,975)	205,549	481,524
Fund Balance - Beginning of year	1,177,646	1,177,646	1,177,646	-
Fund Balance - End of year	<u><u>\$ 901,671</u></u>	<u><u>\$ 901,671</u></u>	<u><u>\$ 1,383,195</u></u>	<u><u>\$ 481,524</u></u>

City of Davison, Michigan

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

Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
State-shared revenue and grants	\$ 166,000	\$ 166,000	\$ 170,174	\$ 4,174
Investment income	350	350	91	(259)
Total revenue	166,350	166,350	170,265	3,915
Expenditures - Current - Highway and streets	160,225	160,225	123,493	36,732
Net Change in Fund Balance	6,125	6,125	46,772	40,647
Fund Balance - Beginning of year	575,005	575,005	575,005	-
Fund Balance - End of year	<u>\$ 581,130</u>	<u>\$ 581,130</u>	<u>\$ 621,777</u>	<u>\$ 40,647</u>

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

	Plan Years Ended December 31							
	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 148,492	\$ 147,847	\$ 153,651	\$ 170,672	\$ 162,910	\$ 158,862	\$ 156,616	\$ 156,189
Interest	1,114,248	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	(55,204)	62,679	(4,173)	85,919	437,509	(132,806)	105,084	-
Changes in assumptions	620,907	422,283	535,150	-	-	-	521,190	-
Benefit payments, including refunds	(869,889)	(836,992)	(797,721)	(737,164)	(794,997)	(659,807)	(641,953)	(553,619)
Net Change in Total Pension Liability	958,554	845,641	750,182	508,866	753,251	295,670	1,016,209	444,774
Total Pension Liability - Beginning of year	15,021,847	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	\$ 15,980,401	\$ 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	\$ 704,626	\$ 650,073	\$ 600,574	\$ 540,069	\$ 505,329	\$ 431,409	\$ 390,166	\$ 339,648
Contributions - Member	46,614	43,574	49,296	52,091	50,092	45,748	44,013	48,741
Net investment income (loss)	1,031,449	960,583	837,010	(254,591)	786,708	630,729	(85,985)	361,710
Administrative expenses	(12,223)	(13,787)	(14,416)	(12,690)	(12,479)	(12,461)	(12,814)	(13,261)
Benefit payments, including refunds	(869,889)	(836,992)	(797,721)	(737,164)	(794,997)	(659,807)	(641,953)	(553,619)
Other	-	-	-	30,200	-	-	-	-
Net Change in Plan Fiduciary Net Position	900,577	803,451	674,743	(382,085)	534,653	435,618	(306,573)	183,219
Plan Fiduciary Net Position - Beginning of year	7,695,714	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	\$ 8,596,291	\$ 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	\$ 7,384,110	\$ 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	53.79 %	51.23 %	48.62 %	46.31 %	51.09 %	49.86 %	47.43 %	54.70 %
Covered Payroll	\$ 944,164	\$ 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	782.08 %	770.42 %	764.15 %	709.44 %	665.79 %	637.40 %	685.52 %	519.33 %

Required Supplemental Information

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

	Years Ended June 30							
	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 3,587	\$ 3,523	\$ 3,168	\$ 3,193	\$ 3,011	\$ 2,944	\$ -	\$ -
Interest	78,597	78,471	75,851	75,071	72,403	71,026	69,337	70,505
Differences between expected and actual experience	5,247	11,540	3,291	19,130	8,826	3,702	45,561	13,451
Changes in assumptions	2,825	(8,362)	44,108	(4,429)	43,339	(135,820)	-	98,668
Benefit payments, including refunds	(83,123)	(83,123)	(83,123)	(83,123)	(83,123)	(62,321)	(51,921)	(51,921)
Net Change in Total Pension Liability	7,133	2,049	43,295	9,842	44,456	(120,469)	62,977	130,703
Total Pension Liability - Beginning of year	1,347,928	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	\$ 1,355,061	\$ 1,347,928	\$ 1,345,879	\$ 1,302,584	\$ 1,292,742	\$ 1,248,286	\$ 1,368,755	\$ 1,305,778
Plan Fiduciary Net Position								
Contributions - Employer	\$ 32,500	\$ 54,000	\$ 40,800	\$ 46,650	\$ 40,700	\$ 71,850	\$ 40,550	\$ 22,550
Net investment (loss) income	(101,349)	199,967	2,107	96,110	52,387	86,736	19,765	11,337
Administrative expenses	(12,252)	(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)	(83,123)	(62,321)	(51,921)	(51,921)
Net Change in Plan Fiduciary Net Position	(164,224)	158,191	(51,337)	51,396	1,161	62,277	(30,699)	(33,880)
Plan Fiduciary Net Position - Beginning of year	1,259,907	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	\$ 1,095,683	\$ 1,259,907	\$ 1,101,716	\$ 1,153,053	\$ 1,101,657	\$ 1,100,496	\$ 1,038,219	\$ 1,068,918
City's Net Pension Liability - Ending	\$ 259,378	\$ 88,021	\$ 244,163	\$ 149,531	\$ 191,085	\$ 147,790	\$ 330,536	\$ 236,860
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	80.86 %	93.47 %	81.86 %	88.52 %	85.22 %	88.16 %	75.85 %	81.86 %
Covered Payroll	\$ 144,868	\$ 149,226	\$ 145,299	\$ 147,585	\$ 143,135	\$ 119,618	\$ -	\$ -
City's Net Pension Liability as a Percentage of Covered Payroll	179.04 %	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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	(9.14)%	17.67 %	(0.57)%	8.25 %	4.67 %	8.47 %	1.03 %	1.05 %	3.20 %	13.00 %

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

Years Ended June 30

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 102,902	\$ 135,393	\$ 130,863	\$ 164,824	\$ 147,365
Interest	592,854	567,841	614,180	593,804	559,825
Changes in benefit terms	-	-	-	(65,563)	-
Differences between expected and actual experience	(993,307)	-	(1,397,941)	-	4,216
Changes in assumptions	(64,568)	-	297,339	580,030	-
Benefit payments, including refunds	(312,299)	(314,494)	(307,525)	(276,416)	(269,635)
Net Change in Total OPEB Liability	(674,418)	388,740	(663,084)	996,679	441,771
Total OPEB Liability - Beginning of year	8,519,950	8,131,210	8,794,294	7,797,615	7,355,844
Total OPEB Liability - End of year	\$ 7,845,532	\$ 8,519,950	\$ 8,131,210	\$ 8,794,294	\$ 7,797,615
Plan Fiduciary Net Position					
Contributions - Employer	\$ 368,878	\$ 425,821	\$ 366,310	\$ 331,859	\$ 325,494
Net investment (loss) income	(93,844)	235,508	17,976	20,185	46,113
Administrative expenses	(2,036)	(1,737)	(1,412)	(1,453)	(1,498)
Benefit payments, including refunds	(312,299)	(314,494)	(307,525)	(276,416)	(269,635)
Net Change in Plan Fiduciary Net Position	(39,301)	345,098	75,349	74,175	100,474
Plan Fiduciary Net Position - Beginning of year	1,134,921	789,823	714,474	640,299	539,825
Plan Fiduciary Net Position - End of year	\$ 1,095,620	\$ 1,134,921	\$ 789,823	\$ 714,474	\$ 640,299
Net OPEB Liability - Ending	\$ 6,749,912	\$ 7,385,029	\$ 7,341,387	\$ 8,079,820	\$ 7,157,316
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	13.96 %	13.32 %	9.71 %	8.12 %	8.21 %
Covered-employee Payroll	\$ 835,922	\$ 1,006,293	\$ 966,850	\$ 1,182,981	\$ 1,117,785
Net OPEB Liability as a Percentage of Covered-employee Payroll	807.48 %	733.88 %	759.31 %	683.01 %	640.31 %

Required Supplemental Information
Schedule of OPEB Contributions

Last Ten Fiscal Years
Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 732,065	\$ 804,909	\$ 779,915	\$ 863,173	\$ 787,220	\$ 1,551,921	\$ 1,551,921	\$ 1,629,984	\$ 1,391,341	\$ 947,812
Contributions in relation to the actuarially determined contribution	368,878	425,821	366,310	331,859	325,494	324,648	324,440	305,050	250,438	261,078
Contribution Deficiency	\$ (363,187)	\$ (379,088)	\$ (413,605)	\$ (531,314)	\$ (461,726)	\$ (1,227,273)	\$ (1,227,481)	\$ (1,324,934)	\$ (1,140,903)	\$ (686,734)
Covered-employee Payroll	\$ 835,922	\$ 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
Contributions as a Percentage of Covered-employee Payroll	44.13 %	42.32 %	37.89 %	28.05 %	29.12 %	28.81 %	28.79 %	28.08 %	22.00 %	22.81 %

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	19 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 Five Fiscal Years				
	Year Ended June 30				
	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	(8.23)%	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

For the fiscal year ended June 30, 2022 (December 31, 2021 actuarial valuation), there was an assumption change 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 and discount rate decreasing from 7.60 percent to 7.25 percent. Additionally, there was an assumption change that resulted in an increase in the calculated total pension liability for the nonunion plan. The assumptions changed during the year related to the mortality projection scale being updated from Scale MP-2020 to MP-2021.

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, 2022, there were assumption changes that resulted in a decrease in the calculated total OPEB liability. The assumptions changed during the year related to the generational projection scale for the mortality table being updated from MP-2018 to MP-2021.

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 Fund

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

Debt Service Fund

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, 2022

	Special Revenue Fund	Debt Service Fund		Inflow and Infiltration Debt Fund	Total Nonmajor Governmental Funds
	Refuse Collection Fund				
Assets - Cash and cash equivalents	\$ 27,184	\$ 778,400	\$	805,584	\$ 805,584
Liabilities - Accounts payable	\$ 24,845	\$ 8,525	\$	\$ 33,370	\$ 33,370
Fund Balances					
Restricted:					
Debt service	-	769,875		769,875	769,875
Rubbish collections	2,339	-		2,339	2,339
Total fund balances	2,339	769,875		772,214	772,214
Total liabilities and fund balances	\$ 27,184	\$ 778,400	\$	805,584	\$ 805,584

City of Davison, Michigan

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

Year Ended June 30, 2022

	Special Revenue Fund	Debt Service Fund	
	Refuse Collection Fund	Inflow and Infiltration Debt Fund	Total Nonmajor Governmental Funds
Revenue			
Property taxes	\$ -	\$ 154,169	\$ 154,169
Special assessments	310,380	-	310,380
Interest and rentals - Investment earnings	12	328	340
Total revenue	310,392	154,497	464,889
Expenditures			
Current services - Public works	328,700	6,490	335,190
Debt service:			
Principal	-	85,000	85,000
Interest on long-term debt	-	11,115	11,115
Total expenditures	328,700	102,605	431,305
Net Change in Fund Balances	(18,308)	51,892	33,584
Fund Balances - Beginning of year	20,647	717,983	738,630
Fund Balances - End of year	\$ 2,339	\$ 769,875	\$ 772,214

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

June 30, 2022

	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	\$ 73,648	\$ -	\$ 73,648
Investments:			
Stocks	211,165	-	211,165
Bonds	249,438	-	249,438
Real estate	50,589	-	50,589
Mutual funds	507,514	-	507,514
Interest in pooled investments	-	1,095,620	1,095,620
Receivables	3,329	-	3,329
Total assets	1,095,683	1,095,620	2,191,303
Liabilities	-	-	-
Net Position			
Restricted:			
Pension	1,095,683	-	1,095,683
Postemployment benefits other than pension	-	1,095,620	1,095,620
Total net position	\$ 1,095,683	\$ 1,095,620	\$ 2,191,303

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

Year Ended June 30, 2022

	Pension and Other Postemployment Benefit Trust Funds		
	Nonunion Pension Benefit Trust Fund	Other Postemployment Benefits Trust Fund	Total Trust Funds
Additions			
Investment income (loss):			
Interest and dividends	\$ 43,861	\$ -	\$ 43,861
Net decrease in fair value of investments	(145,209)	(93,844)	(239,053)
Investment-related expenses	(9,503)	-	(9,503)
Net investment loss	(110,851)	(93,844)	(204,695)
Contributions - Employer	32,500	368,878	401,378
Total additions	(78,351)	275,034	196,683
Deductions			
Benefit payments	83,123	312,299	395,422
Administrative expenses	2,750	2,036	4,786
Total deductions	85,873	314,335	400,208
Net Decrease in Fiduciary Net Position	(164,224)	(39,301)	(203,525)
Net Position - Beginning of year	1,259,907	1,134,921	2,394,828
Net Position - End of year	\$ 1,095,683	\$ 1,095,620	\$ 2,191,303