

*City of Eaton Rapids*  
*Eaton County, Michigan*

**FINANCIAL STATEMENTS**

*Year ended June 30, 2022*

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## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT .....	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	4-10
BASIC FINANCIAL STATEMENTS.....	11
Government-wide Financial Statements	
Statement of Net Position.....	12
Statement of Activities .....	13
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities .....	17
Proprietary Funds	
Statement of Net Position.....	18
Statement of Revenues, Expenses, and Changes in Net Position .....	19
Statement of Cash Flows.....	20-21
Fiduciary Funds	
Statement of Fiduciary Net Position .....	22
Statement of Change in Net Position .....	23
Component Units	
Combining Statement of Net Position.....	24
Combining Statement of Activities .....	25
Notes to Financial Statements .....	26-56
REQUIRED SUPPLEMENTARY INFORMATION.....	57
GENERAL FUND	
Budgetary Comparison Schedule .....	58-60
Defined Benefit Pension Plan	
Schedule of Changes in the Net Pension Liability and Related Ratios.....	61
Schedule of Employer Contributions .....	62
Post-Employment Health Care Benefits	
Schedule of Changes in Employer's Net OPEB Liability and Related Ratios .....	63
Schedule of Employer Contributions .....	64
Schedule of Investment Returns .....	65
Notes to Required Supplementary Information .....	66-67

# TABLE OF CONTENTS

## (continued)

### Page

OTHER SUPPLEMENTARY INFORMATION .....	68
Combining Balance Sheet - Nonmajor Governmental Funds.....	69-71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds.....	72-74
UTILITY FUND	
Revenues and Expenses .....	75
Expense Breakdown .....	76
INTERNAL SERVICE FUNDS	
Combining Statement of Net Position .....	77
Combining Statement of Revenues, Expenses, and Changes in Net Position.....	78
Combining Statement of Cash Flows.....	79
COMPONENT UNIT FUNDS	
LDFA ISLAND INDUSTRIAL PARK	
Balance Sheet.....	80
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position .....	81
Statement of Revenues, Expenditures, and Changes in Fund Balance .....	82
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities .....	83
TIFA I DOWNTOWN DEVELOPMENT AUTHORITY	
Balance Sheet.....	84
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position .....	85
Statement of Revenues, Expenditures, and Changes in Fund Balance .....	86
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities .....	87
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE GOVERNMENT AUDITING STANDARDS .....	88-89
Schedule of Expenditures of Federal Awards.....	90
Notes to schedule of Expenditures of Federal Awards.....	91
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	92-93
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	94-95
SUMMARY OF PRIOR AUDIT FINDINGS .....	96

## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Eaton Rapids, Michigan

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Eaton Rapids, 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 contents.

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

#### Basis for Opinions

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

#### Correction of Errors

As described in Note 15 to the financial statements, the City recorded prior period adjustments to correct accounting for cash, receivables, and capital assets. Our opinions are 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

- Exercise professional 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 Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the pension schedules, and the OPEB schedules, as listed in the contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, utility fund information, component unit information, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and 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, supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Siegfried Crandall P.C.*

February 21, 2023

## **CITY OF EATON RAPIDS MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the City of Eaton Rapids annual report presents our discussion and analysis of the City of Eaton Rapids financial performance during the year ended June 30, 2022. Please read it in conjunction with the City's financial statements, which immediately follow this section.

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the City's management's discussion and analysis of the financial results for the fiscal year ended June 30, 2022.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Eaton Rapids financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole, presenting both an aggregate view of the City's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds - the General Fund and the Utility Fund, and other smaller funds collectively as non-major governmental funds.

### **Government-Wide Financial Statements**

One of the most important questions asked about the City of Eaton Rapids is, "As a whole, what is the City's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the basic financial statements, report information on the as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position (page 12) presents all of the City of Eaton Rapids' assets and liabilities, recording the difference between the two as "net position". Over time, increases or decreases in net position measure whether the City of Eaton Rapids financial position is improving or deteriorating.

The Statement of Activities (page 13) presents information showing how the City of Eaton Rapids' net position changed during fiscal year 2022. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods.

Both statements report the following activities:

- Governmental Activities - Most of the City of Eaton Rapids basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. This also includes the activities such as the major and local street maintenance, and debt service.
- Business-type Activities - These activities operate like private businesses. The City of Eaton Rapids charges fees to recover the cost of the services provided.
- Discretely Presented Component Units - Discretely presented component units are legally separate organizations for which the City of Eaton Rapids Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the City of Eaton Rapids.

## **CITY OF EATON RAPIDS MANAGEMENT'S DISCUSSION AND ANALYSIS**

As stated previously, the government-wide financial statements are full accrual basis statements. However, the governmental funds report on a modified accrual basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources. Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 15 and 17 present reconciliations between the two statement types.

### **Fund Financial Statements**

The fund level financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City of Eaton Rapids uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services fund (e.g. Motor pool) as well as enterprise funds such as the Utility Fund.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The City of Eaton Rapids funds are divided into two categories - governmental and proprietary - and use different accounting approaches:

- Governmental Funds - Most of the City of Eaton Rapids basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City of Eaton Rapids programs. Governmental funds include the General Fund, as well as special revenue, debt service, capital projects, and permanent funds.
- Proprietary Funds - Services for which the City of Eaton Rapids charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same accrual basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. Enterprise funds report activities that provide supplies and/or services to the general public. Internal Service funds report activities that provide supplies or service to the City of Eaton Rapids other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

### **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 26 of this report.



**CITY OF EATON RAPIDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Required Supplementary Information**

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedule for the General Fund and historical pension and OPEB information.

**Other Supplementary Information**

Other Supplementary Information includes combining financial statements for non-major governmental funds. These funds are added together, by fund type, and are presented in a single aggregate column in the basic financial statements.

**Summary of Net Position**

The following summarizes the net position as of June 30, 2022 and 2021.

	Governmental Activities		Business-type Activities		Total	
	2022	Restated 2021	2022	Restated 2021	2022	Restated 2021
<b>ASSETS</b>						
Current and other assets	\$ 4,963,515	\$ 4,399,264	\$ 11,591,637	\$ 12,400,904	\$ 16,555,152	16,800,168
Capital assets, net	8,591,401	7,792,736	8,994,882	8,247,297	17,586,283	16,040,033
<b>TOTAL ASSETS</b>	<b>13,554,916</b>	<b>12,192,000</b>	<b>20,586,519</b>	<b>20,648,201</b>	<b>34,141,435</b>	<b>32,840,201</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,345,723</b>	<b>1,375,246</b>	<b>866,459</b>	<b>1,153,422</b>	<b>2,212,182</b>	<b>2,528,668</b>
<b>LIABILITIES</b>						
Current	1,374,451	1,202,053	917,795	1,097,128	2,292,246	2,299,181
Noncurrent	4,683,049	6,775,951	5,463,357	7,179,870	10,146,406	13,955,821
<b>TOTAL LIABILITIES</b>	<b>6,057,500</b>	<b>7,978,004</b>	<b>6,381,152</b>	<b>8,276,998</b>	<b>12,438,652</b>	<b>16,255,002</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,847,226</b>	<b>583,114</b>	<b>1,205,741</b>	<b>499,572</b>	<b>3,052,967</b>	<b>1,082,686</b>
<b>NET POSITION</b>						
Invested in capital assets - net of related debt	7,484,626	5,120,953	6,742,582	4,675,921	14,227,208	9,796,874
Restricted	2,278,899	1,736,895	1,973,067	1,104,035	4,251,966	2,840,930
Unrestricted	(2,767,612)	(1,851,720)	5,150,436	7,245,097	2,382,824	5,393,377
<b>TOTAL NET POSITION</b>	<b>\$ 6,995,913</b>	<b>\$ 5,006,128</b>	<b>\$ 13,866,085</b>	<b>\$ 13,025,053</b>	<b>\$ 20,861,998</b>	<b>\$ 18,031,181</b>

**CITY OF EATON RAPIDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Results of Operations**

For the fiscal year ended June 30, 2022 and 2021, the government-wide results of operations were:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>REVENUES</b>						
Program revenue						
Charges for services	\$ 1,143,015	\$ 1,072,001	\$ 12,381,916	\$ 11,929,984	\$ 13,524,931	\$ 13,001,985
Operating grants and contributions	1,471,236	941,029	-	-	1,471,236	941,029
Capital grants and contributions	674,770	8,172	449,847	-	1,124,617	8,172
General revenues						
Property taxes	1,041,131	987,592	586,724	582,677	1,627,855	1,570,269
Local community stabilization	152,154	149,333	241,312	230,097	393,466	379,430
State Revenue Sharing	606,437	558,358	-	-	606,437	558,358
Investment earnings	14,297	18,346	3,669	13,280	17,966	31,626
Other	86,963	461,904	40,102	233,420	127,065	695,324
Transfers	388,395	280,870	(388,395)	(280,870)	-	-
<b>TOTAL REVENUES</b>	<b>5,578,398</b>	<b>4,477,605</b>	<b>13,315,175</b>	<b>12,708,588</b>	<b>18,893,573</b>	<b>17,186,193</b>
<b>EXPENSES</b>						
General government	977,177	1,691,362	-	-	977,177	1,691,362
Public safety	1,429,420	1,382,070	-	-	1,429,420	1,382,070
Public works	719,879	1,170,050	12,474,143	13,107,905	13,194,022	14,277,955
Community and economic development	103,521	38,835	-	-	103,521	38,835
Health and welfare	13,938	-	-	-	13,938	-
Recreation and culture	343,732	313,456	-	-	343,732	313,456
Interest on long-term debt	946	90,250	-	-	946	90,250
<b>TOTAL EXPENSES</b>	<b>3,588,613</b>	<b>4,686,023</b>	<b>12,474,143</b>	<b>13,107,905</b>	<b>16,062,756</b>	<b>17,793,928</b>
Change in net position	\$ 1,989,785	\$ (208,418)	\$ 841,032	\$ (399,317)	\$ 2,830,817	\$ (607,735)

The prior year activity has not been adjusted for the restatement of net position as noted in Note 15.

**Analysis of Results of Operations**

During fiscal year ended June 30, 2022, the City's net position increased by \$2,830,817. Several factors which contributed to this increase are discussed in the following sections.

**Governmental Activities Operating Results**

The City's governmental activities revenues exceeded expenses by \$1,989,785 for the fiscal year ended June 30, 2022. Total revenues and transfers increased \$1,100,793, or approximately 24.6%. Total expenses and transfers decreased by \$1,097,410, or approximately 23.4%. This was the result of the City receiving additional federal/state funding in the current year, to help fund their GAR Island Park Project.

**Business-type Activities Operating Results**

The City's business-type activities revenues exceeded expenses and transfers by \$841,032 for the fiscal year ended June 30, 2022. Total revenues and transfers increased \$606,587, or approximately 4.77%. Total expenses decreased by \$633,762, or approximately 4.83%.

## **CITY OF EATON RAPIDS MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

*Governmental Funds.* The focus of the City's *governmental funds* is to provide information on near-terms inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,443,999, an increase of \$123,797 from the prior year. Approximately 33.2% of this, or \$1,143,897, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable, restricted, or committed* to indicate that it is not available for new spending because it has already been restricted or obligated to pay for specific debt services or for a variety of other purposes.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, the unassigned fund balance of the General Fund was \$1,143,897. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to the total fund expenditures. Unassigned fund balance at June 30, 2022, represents 27.9% of the total General Fund expenditures and other financing uses.

During the fiscal year ended June 30, 2022, the fund balance in the City's General Fund decreased by \$427,280.

Budgetary-basis revenues and other financing sources for the General Fund were amended throughout the year as new information became available. Actual revenues and other financing sources ended the year \$246,797 less than budgeted. Budgetary-basis expenditures and other financing uses for the General Fund were amended throughout the year with the final amended budget exceeding the originally adopted budget by \$1,720,001. Actual expenditures and other financing uses ended the year \$914,695 under the amended budget.

*Proprietary Funds.* The City of Eaton Rapids' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Utility Fund at the end of the year amounted to \$5,150,436. The most recent fiscal year's activities increased the net position of the Utility Fund by \$841,032.

### **Long-Term Debt Activities**

As of June 30, 2022, the City had total outstanding debt for governmental activities (including compensated absences) of \$1,265,230. For business-type activities, the outstanding debt (including compensated absences) was \$2,316,790 as of June 30, 2022. For component units, the outstanding debt was \$1,620,000 as of June 30, 2022.

The City has accumulated a long-term liability for absences that have been earned by employees but not yet redeemed. The balance of compensated absences as of June 30, 2022 is \$222,945.

**CITY OF EATON RAPIDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City made principal payments on long-term debt obligations that reduced the amount of the City's long-term liabilities as follows:

	Balance June 30, 2021	Change	Balance June 30, 2022
<b>PRIMARY GOVERNMENT</b>			
Governmental Activities			
Bonds, leases, and contracts	\$ 1,612,403	\$ (505,628)	\$ 1,106,775
Compensated absences	165,054	(6,599)	158,455
	<u>1,777,457</u>	<u>(512,227)</u>	<u>1,265,230</u>
Business-type Activities			
Bonds and leases	2,827,300	(575,000)	2,252,300
Compensated absences	57,755	6,735	64,490
	<u>2,885,055</u>	<u>(568,265)</u>	<u>2,316,790</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	4,662,512	(1,080,492)	3,582,020
<b>COMPONENT UNITS</b>			
Bonds	<u>1,865,000</u>	<u>(245,000)</u>	<u>1,620,000</u>
<b>TOTAL REPORTING ENTITY</b>	<u>\$ 6,527,512</u>	<u>\$ (1,325,492)</u>	<u>\$ 5,202,020</u>

Additional information about the City's long-term debt can be found in Note 7 to the financial statements.

**Net Investment in Capital Assets**

At the end of the year, the City had invested \$8,591,401 and \$8,994,882 (net of accumulated depreciation) for governmental and business-type capital assets, respectively. Depreciation charges for the fiscal year totaled \$596,546 for the governmental activities and \$1,034,725 for the business-type activities.

The following chart provides more detail on these capital assets.

	Governmental Activities	Business-type Activities	Component Units	Total
Land and construction in progress	\$ 747,077	\$ -	\$ 1,147,954	\$ 1,895,031
Buildings and improvements, net	1,917,091	-	-	1,917,091
Land improvements, net	2,526,278	-	841,525	3,367,803
Vehicles, net	917,290	-	-	917,290
Machinery, equipment and furniture, net	210,308	-	-	210,308
Infrastructure, net	<u>2,273,357</u>	<u>8,994,882</u>	<u>360,320</u>	<u>11,628,559</u>
Capital assets, net	<u>\$ 8,591,401</u>	<u>\$ 8,994,882</u>	<u>\$ 2,349,799</u>	<u>\$ 19,936,082</u>

Additional information about the City's capital assets can be found in Note 6 to the financial statements.

**CITY OF EATON RAPIDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

The City's fiscal year 2023 budget does not anticipate significant changes in the amounts or composition of its major revenue sources. The City has budgeted expenditures for the upcoming year at amounts sufficient to support its ongoing programs and activities and plans to primarily use current revenues to provide essential services in order to maintain current fund balances.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the City's finances. If you have questions about this report or need additional information, contact Yvonne Ridge, City Manager, City of Eaton Rapids, 200 South Main Street, Eaton Rapids, Michigan 48827.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF EATON RAPIDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Units
<b>ASSETS</b>				
Current assets				
Cash, cash equivalents, and investments	\$ 3,309,580	\$ 8,351,928	\$ 11,661,508	\$ 1,710,437
Receivables				
Accounts	9,086	1,142,503	1,151,589	60
Note	-	3,696	3,696	-
Due from other governmental units	380,999	79,882	460,881	13,574
Internal balances	1,383,395	(1,383,395)	-	-
Prepays and deposits	19,808	678,542	698,350	392
Inventories	647	477,885	478,532	-
<b>Total current assets</b>	<b>5,103,515</b>	<b>9,351,041</b>	<b>14,454,556</b>	<b>1,724,463</b>
Noncurrent assets				
Cash and investments - restricted	-	2,100,596	2,100,596	-
Internal balances	(140,000)	140,000	-	-
Capital assets not being depreciated	747,077	-	747,077	1,147,954
Capital assets, net of accumulated depreciation	7,844,324	8,994,882	16,839,206	1,201,845
<b>Total noncurrent assets</b>	<b>8,451,401</b>	<b>11,235,478</b>	<b>19,686,879</b>	<b>2,349,799</b>
<b>TOTAL ASSETS</b>	<b>13,554,916</b>	<b>20,586,519</b>	<b>34,141,435</b>	<b>4,074,262</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges on refunding	-	-	-	81,827
Deferred outflows of resources related to pensions	398,317	357,078	755,395	22,721
Deferred outflows of resources related to OPEB	947,406	509,381	1,456,787	20,535
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,345,723</b>	<b>866,459</b>	<b>2,212,182</b>	<b>125,083</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	346,609	212,980	559,589	4,889
Accrued liabilities	111,535	38,417	149,952	4,525
Accrued interest payable	3,957	11,908	15,865	3,728
Due to other governmental units	22,002	-	22,002	28,463
Unearned revenue	533,694	-	533,694	-
Current portion of compensated absences	109,208	64,490	173,698	-
Current portion of long-term debt	247,446	590,000	837,446	250,000
<b>Total current liabilities</b>	<b>1,374,451</b>	<b>917,795</b>	<b>2,292,246</b>	<b>291,605</b>
Noncurrent liabilities				
Customer deposits	-	181,862	181,862	-
Noncurrent portion of compensated absences	49,247	-	49,247	-
Noncurrent portion of long-term debt	859,329	1,662,300	2,521,629	1,370,000
Net pension liability	2,837,499	3,115,424	5,952,923	264,057
Net other post-employment benefit liability	936,974	503,771	1,440,745	20,309
<b>Total noncurrent liabilities</b>	<b>4,683,049</b>	<b>5,463,357</b>	<b>10,146,406</b>	<b>1,654,366</b>
<b>TOTAL LIABILITIES</b>	<b>6,057,500</b>	<b>6,381,152</b>	<b>12,438,652</b>	<b>1,945,971</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pensions	592,420	531,085	1,123,505	33,794
Deferred inflows of resources related to OPEB	1,254,806	674,656	1,929,462	27,198
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,847,226</b>	<b>1,205,741</b>	<b>3,052,967</b>	<b>60,992</b>
<b>NET POSITION</b>				
Net investment in capital assets	7,484,626	6,742,582	14,227,208	811,626
Restricted				
Bond retirement	-	1,313,031	1,313,031	-
Electric utility	-	660,036	660,036	-
Highways and streets	1,895,121	-	1,895,121	-
Act 302 training	23,591	-	23,591	-
Parks and recreation	23,983	-	23,983	-
Building department	200,995	-	200,995	-
Drug law enforcement	77	-	77	-
Cemetery perpetual care	73,853	-	73,853	-
Friends of the island	31,555	-	31,555	-
Dog park	55	-	55	-
Debt service	12,999	-	12,999	-
Housing services	16,670	-	16,670	-
Unrestricted	(2,767,612)	5,150,436	2,382,824	1,380,756
<b>TOTAL NET POSITION</b>	<b>\$ 6,995,913</b>	<b>\$ 13,866,085</b>	<b>\$ 20,861,998</b>	<b>\$ 2,192,382</b>

See accompanying notes to financial statements.

**CITY OF EATON RAPIDS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 977,177	\$ 154,620	\$ 17,497	\$ 674,770	\$ (130,290)	\$ -	\$ (130,290)	\$ -
Public safety	1,429,420	99,129	-	-	(1,330,291)	-	(1,330,291)	-
Public works	719,879	833,393	1,225,964	-	1,339,478	-	1,339,478	-
Health and welfare	13,938	-	-	-	(13,938)	-	(13,938)	-
Community and economic development	103,521	-	211,025	-	107,504	-	107,504	-
Recreation and culture	343,732	55,873	16,750	-	(271,109)	-	(271,109)	-
Interest on long-term debt	946	-	-	-	(946)	-	(946)	-
Total governmental activities	3,588,613	1,143,015	1,471,236	674,770	(299,592)	-	(299,592)	-
Business-type activities								
Electric	9,766,202	10,501,019	-	449,847	-	1,184,664	1,184,664	-
Water	1,141,067	845,096	-	-	-	(295,971)	(295,971)	-
Sewage	1,566,874	1,035,801	-	-	-	(531,073)	(531,073)	-
Total business-type activities	12,474,143	12,381,916	-	\$ 449,847	-	357,620	357,620	-
Total primary government	<u>\$ 16,062,756</u>	<u>\$ 13,524,931</u>	<u>\$ 1,471,236</u>	<u>\$ 1,124,617</u>	<u>(299,592)</u>	<u>357,620</u>	<u>58,028</u>	<u>-</u>
Component units								
LDFA Island Industrial Park	\$ 226,538	\$ -	\$ -	\$ -	-	-	-	(226,538)
TIFA I DDA	288,647	-	-	25,334	-	-	-	(263,313)
Total component units	<u>\$ 515,185</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(489,851)</u>
General revenues								
Property taxes					1,041,131	586,724	1,627,855	183,045
Local community stabilization					152,154	241,312	393,466	167,133
State shared revenue					606,437	-	606,437	-
Investment earnings					14,297	3,669	17,966	648
Other					86,963	40,102	127,065	48,770
Transfers					388,395	(388,395)	-	-
Total general revenues and transfers					2,289,377	483,412	2,772,789	399,596
Change in net position					1,989,785	841,032	2,830,817	(90,255)
Restated net position, beginning of the year					5,006,128	13,025,053	18,031,181	2,282,637
Net position, end of the year					<u>\$ 6,995,913</u>	<u>\$ 13,866,085</u>	<u>\$ 20,861,998</u>	<u>\$ 2,192,382</u>

See accompanying notes to financial statements.



**CITY OF EATON RAPIDS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2022**

	General Fund	Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and investments	\$ 78,283	\$ 2,932,448	\$ 3,010,731
Accounts receivables	9,086	-	9,086
Due from other governmental units	272,510	108,489	380,999
Due from other funds	2,155,769	10,440	2,166,209
Inventory	647	-	647
Prepaid expenses	15,371	4,437	19,808
	<u>15,371</u>	<u>4,437</u>	<u>19,808</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,531,666</u></u>	<u><u>\$ 3,055,814</u></u>	<u><u>\$ 5,587,480</u></u>
<b>LIABILITIES</b>			
Accounts payable	\$ 308,474	\$ 38,135	\$ 346,609
Accrued wages payable	20,393	6,904	27,297
Accrued liabilities	80,732	3,506	84,238
Due to other governmental units	22,002	-	22,002
Due to other funds	940,150	49,491	989,641
Unearned revenue	-	533,694	533,694
Advance from other funds	-	140,000	140,000
	<u>-</u>	<u>140,000</u>	<u>140,000</u>
<b>TOTAL LIABILITIES</b>	<u>1,371,751</u>	<u>771,730</u>	<u>2,143,481</u>
<b>FUND BALANCES</b>			
Nonspendable	16,018	4,437	20,455
Restricted	-	2,278,419	2,278,419
Committed	-	1,228	1,228
Unassigned	1,143,897	-	1,143,897
	<u>1,143,897</u>	<u>-</u>	<u>1,143,897</u>
<b>TOTAL FUND BALANCES</b>	<u>1,159,915</u>	<u>2,284,084</u>	<u>3,443,999</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 2,531,666</u></u>	<u><u>\$ 3,055,814</u></u>	<u><u>\$ 5,587,480</u></u>

See accompanying notes to financial statements.

**CITY OF EATON RAPIDS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2022**

**Total fund balances - governmental funds** \$ 3,443,999

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 therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 15,052,736	
Accumulated depreciation is	<u>(7,046,678)</u>	

Capital assets, net		8,006,058
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Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the government-wide statement of net position.

Net position of governmental activities accounted for in the Internal Service Funds		1,056,368
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Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension/OPEB plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	398,317	
Deferred inflows of resources related to pensions	(592,420)	
Deferred outflows of resources related to OPEB	947,406	
Deferred inflows of resources related to OPEB	<u>(1,254,806)</u>	

(501,503)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Long-term debt	(1,073,481)	
Compensated absences	(158,455)	
Accrued interest payable	(2,600)	
Net pension liability	(2,837,499)	
Net other post-employment benefits liability	<u>(936,974)</u>	

(5,009,009)

<b>Net position of governmental activities</b>		<b><u>\$ 6,995,913</u></b>
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**CITY OF EATON RAPIDS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2022**

	General Fund	Nonmajor Governmental Funds	Total
REVENUES			
Property taxes	\$ 1,022,390	\$ 257,860	\$ 1,280,250
Licenses and permits	849,989	88,667	938,656
Intergovernmental			
Federal	674,770	17,497	692,267
State	794,619	765,412	1,560,031
Local	154,195	2,500	156,695
Charges for services	35,718	62,123	97,841
Fines and forfeits	11,702	-	11,702
Interest and rentals	23,230	653	23,883
Donations	16,750	-	16,750
Reimbursements	12,188	-	12,188
Other	76,532	9,411	85,943
	<u>3,672,083</u>	<u>1,204,123</u>	<u>4,876,206</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	1,363,282	17,497	1,380,779
Public safety	1,396,032	179,690	1,575,722
Public works	697,794	354,160	1,051,954
Health and welfare	13,938	-	13,938
Community and economic development	103,521	-	103,521
Recreation and culture	61,546	289,566	351,112
Debt service	-	478,528	478,528
Capital outlay	-	-	-
	<u>3,636,113</u>	<u>1,319,441</u>	<u>4,955,554</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>35,970</u>	<u>(115,318)</u>	<u>(79,348)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	10,000	676,395	686,395
Transfers out	<u>(473,250)</u>	<u>(10,000)</u>	<u>(483,250)</u>
	<u>(463,250)</u>	<u>666,395</u>	<u>203,145</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(427,280)	551,077	123,797
Restated fund balances, beginning of year	<u>1,587,195</u>	<u>1,733,007</u>	<u>3,320,202</u>
Fund balances, end of year	<u><u>\$ 1,159,915</u></u>	<u><u>\$ 2,284,084</u></u>	<u><u>\$ 3,443,999</u></u>

See accompanying notes to financial statements.

**CITY OF EATON RAPIDS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

**Net change in fund balances - total governmental funds** **\$ 123,797**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,310,681	
Depreciation expense	<u>(461,848)</u>	
Excess of capital outlay over depreciation expense		848,833

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Increase in net position of Internal Service Funds		34,375
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Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Debt principal retirement		473,227
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Decrease) in deferred outflows of resources related to pensions	(64,093)	
(Increase) in deferred inflows of resources related to pensions	(164,236)	
Increase in deferred outflows of resources related to OPEB	34,570	
(Increase) in deferred inflows of resources related to OPEB	(1,099,876)	
Decrease in accrued interest payable	4,370	
Decrease in compensated absences	6,599	
Decrease in net pension liability	572,314	
Decrease in net other post-employment benefits liability	<u>1,219,905</u>	
		<u>509,553</u>

<b>Change in net position of governmental activities</b>		<b><u>\$ 1,989,785</u></b>
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**CITY OF EATON RAPIDS  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2022**

	Business-type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 8,351,928	\$ 298,849
Accounts receivable	1,142,503	-
Due from other governmental units	79,882	-
Due from other funds	1,207,560	578,500
Note receivable	3,696	-
Prepays and deposits	678,542	-
Inventories	477,885	-
Total current assets	11,941,996	877,349
Noncurrent assets		
Cash and investments - restricted	2,100,596	-
Advance to other funds	140,000	-
Capital assets, net of accumulated depreciation	8,994,882	585,343
Total noncurrent assets	11,235,478	585,343
<b>TOTAL ASSETS</b>	<b>23,177,474</b>	<b>1,462,692</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions	357,078	-
Deferred outflows of resources related to OPEB	509,381	-
Total deferred outflows of resources	866,459	-
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	212,980	-
Accrued payroll	25,218	-
Accrued liabilities	13,199	-
Due to other funds	2,590,955	371,673
Accrued interest payable	11,908	1,357
Current portion of compensated absences	64,490	-
Current portion of long-term debt	590,000	33,294
Total current liabilities	3,508,750	406,324
Noncurrent liabilities		
Customer deposits	181,862	-
Noncurrent portion of long-term debt	1,662,300	-
Net pension liability	3,115,424	-
Net other post-employment benefits liability	503,771	-
Total noncurrent liabilities	5,463,357	-
<b>TOTAL LIABILITIES</b>	<b>8,972,107</b>	<b>406,324</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions	531,085	-
Deferred inflows of resources related to OPEB	674,656	-
Total deferred inflows of resources	1,205,741	-
<b>NET POSITION</b>		
Net investment in capital assets	6,742,582	552,049
Restricted		
Bond retirement	1,313,031	-
Electric utility	660,036	-
Unrestricted	5,150,436	504,319
<b>TOTAL NET POSITION</b>	<b>\$ 13,866,085</b>	<b>\$ 1,056,368</b>

See accompanying notes to financial statements.

**CITY OF EATON RAPIDS  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2022**

	Business-type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services	\$ 12,349,676	\$ -
Fines and forfeitures	32,240	-
Other revenue	40,102	8,218
	<u>12,422,018</u>	<u>8,218</u>
TOTAL OPERATING REVENUES		
	<u>12,422,018</u>	<u>8,218</u>
OPERATING EXPENSES		
Personal services	1,273,180	-
Contractual services	513,304	-
Supplies	41,033	-
Materials	208,599	-
Utilities	232,453	-
Telephone	13,560	-
Insurance	104,808	-
Maintenance	7,715,101	-
Franchise fees	806,988	-
Benefit payments	393,034	-
Other expense	73,829	24,410
Depreciation	1,034,725	134,698
	<u>12,410,614</u>	<u>159,108</u>
TOTAL OPERATING EXPENSES		
	<u>12,410,614</u>	<u>159,108</u>
OPERATING INCOME (LOSS)	<u>11,404</u>	<u>(150,890)</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes	586,724	-
Intergovernmental	449,847	-
Local community stabilization	241,312	-
Interest income	3,669	32
Interest expense	(63,529)	(17)
	<u>1,218,023</u>	<u>15</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		
	<u>1,218,023</u>	<u>15</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>1,229,427</u>	<u>(150,875)</u>
TRANSFERS		
Transfers in	12,000	185,250
Transfers out	(400,395)	-
	<u>(388,395)</u>	<u>185,250</u>
TOTAL TRANSFERS		
	<u>(388,395)</u>	<u>185,250</u>
CHANGE IN NET POSITION	841,032	34,375
Restated Net position, beginning of year	<u>13,025,053</u>	<u>1,021,993</u>
Net position, end of year	<u>\$ 13,866,085</u>	<u>\$ 1,056,368</u>

See accompanying notes to financial statements.

**CITY OF EATON RAPIDS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2022**

	Business-type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 12,250,949	\$ -
Cash received from contributions	301,502	8,218
Cash paid to employees	(1,264,417)	-
Cash paid for employee benefits	(383,358)	(16,811)
Cash paid to suppliers	(10,221,078)	(7,599)
	<u>683,598</u>	<u>(16,192)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Receipt (payment) from interfund balances	<u>660,743</u>	<u>(23,977)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Property taxes	586,724	-
Intergovernmental	449,847	-
Local community stabilization	241,312	-
Purchases of capital asset	(1,782,310)	(84,530)
Principal payments on long-term debt	(575,000)	(32,401)
Interest and fiscal charges	(66,533)	(243)
	<u>(1,145,960)</u>	<u>(117,174)</u>
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<u>3,669</u>	<u>32</u>
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	202,050	(157,311)
Restated cash and investments, beginning of year	<u>10,250,474</u>	<u>456,160</u>
Cash and investments, end of year	<u><u>\$ 10,452,524</u></u>	<u><u>\$ 298,849</u></u>

See accompanying notes to financial statements.

**CITY OF EATON RAPIDS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS (continued)  
YEAR ENDED JUNE 30, 2022**

	Business-type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
Reconciliation of operating (loss) to net cash provided (used) by operating activities		
Operating (loss)	\$ 11,404	\$ (150,890)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities		
Depreciation	1,034,725	134,698
Changes in assets and liabilities and DIOR and DOOR		
Accounts receivable	(167,241)	-
Due from other governmental units	301,502	-
Notes receivable	1,413	-
Prepays and deposits	(152,263)	-
Inventories	(21,232)	-
Deferred outflows of resources related to pensions	44,646	-
Deferred outflows of resources related to OPEB	242,317	-
Accounts payable	(204,132)	-
Accrued payroll	2,028	-
Accrued liabilities	2,028	-
Compensated absences	6,735	-
Customer deposits	(5,241)	-
Net pension liability	153,105	-
Net other post-employment benefits liability	(1,272,365)	-
Deferred inflows of resources related to pensions	159,094	-
Deferred inflows of resources related to OPEB	547,075	-
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 \$ 683,598	 \$ (16,192)

See accompanying notes to financial statements.



**CITY OF EATON RAPIDS  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2022**

	Other Post- Employment Benefits	Custodial Fund  Tax Fund
<b>ASSETS</b>		
Cash and investments	<u>\$ 319,250</u>	<u>\$ 1,828</u>
<b>LIABILITIES</b>		
Undistributed collections payable	<u>-</u>	<u>1,828</u>
<b>NET POSITION</b>		
Restricted		
Other post-employment benefits	<u><u>\$ 319,250</u></u>	<u><u>\$ -</u></u>

**CITY OF EATON RAPIDS  
FIDUCIARY FUND  
STATEMENT OF CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2022**

	Other Post- Employment Benefits Plan	Custodial Fund <u>Tax Fund</u>
ADDITIONS		
Contributions - employer	\$ 165,250	\$ -
Property tax collections for other governmental units	-	(3,880,850)
Investment earnings	<u>(28,683)</u>	<u>-</u>
TOTAL ADDITIONS	<u>136,567</u>	<u>(3,880,850)</u>
DEDUCTIONS		
Administrative expenses	625	-
Benefit payments	165,250	-
Property tax distributions to other governmental units	<u>-</u>	<u>(3,880,850)</u>
TOTAL DEDUCTIONS	<u>165,875</u>	<u>(3,880,850)</u>
NET CHANGE IN FIDUCIARY NET POSITION	(29,308)	-
Net position, beginning of year	<u>348,558</u>	<u>-</u>
Net position, end of year	<u><u>\$ 319,250</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

**CITY OF EATON RAPIDS  
COMPONENT UNITS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2022**

	LDFA Island Industrial Park	TIFA I Downtown Development Authority	Total
<b>ASSETS</b>			
Current assets			
Cash and investments	\$ 1,635,947	\$ 74,490	\$ 1,710,437
Accounts receivable	-	60	60
Due from other governmental units	-	13,574	13,574
Prepaid expenses	392	-	392
Total current assets	<u>1,636,339</u>	<u>88,124</u>	<u>1,724,463</u>
Noncurrent assets			
Capital assets not being depreciated	777,493	370,461	1,147,954
Capital assets, net of accumulated depreciation	<u>841,525</u>	<u>360,320</u>	<u>1,201,845</u>
Total noncurrent assets	<u>1,619,018</u>	<u>730,781</u>	<u>2,349,799</u>
<b>TOTAL ASSETS</b>	<u>3,255,357</u>	<u>818,905</u>	<u>4,074,262</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	81,827	-	81,827
Deferred outflows of resources related to pensions	22,721	-	22,721
Deferred outflows of resources related to OPEB	<u>20,535</u>	<u>-</u>	<u>20,535</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>125,083</u>	<u>-</u>	<u>125,083</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	4,580	309	4,889
Accrued liabilities	2,317	2,208	4,525
Due to other governmental units	27,034	1,429	28,463
Accrued interest payable	2,387	1,341	3,728
Current portion of long-term debt	<u>210,000</u>	<u>40,000</u>	<u>250,000</u>
Total current liabilities	<u>246,318</u>	<u>45,287</u>	<u>291,605</u>
Noncurrent liabilities			
Noncurrent portion of long-term debt	1,085,000	285,000	1,370,000
Net pension liability	264,057	-	264,057
Net other post-employment benefit liability	<u>20,309</u>	<u>-</u>	<u>20,309</u>
Total noncurrent liabilities	<u>1,369,366</u>	<u>285,000</u>	<u>1,654,366</u>
<b>TOTAL LIABILITIES</b>	<u>1,615,684</u>	<u>330,287</u>	<u>1,945,971</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	33,794	-	33,794
Deferred inflows of resources related to OPEB	<u>27,198</u>	<u>-</u>	<u>27,198</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>60,992</u>	<u>-</u>	<u>60,992</u>
<b>NET POSITION</b>			
Net investment in capital assets	405,845	405,781	811,626
Unrestricted	<u>1,297,919</u>	<u>82,837</u>	<u>1,380,756</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,703,764</u>	<u>\$ 488,618</u>	<u>\$ 2,192,382</u>

See accompanying notes to financial statements.

**CITY OF EATON RAPIDS  
COMPONENT UNITS  
COMBINING STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
			LDFA Island Industrial Park	TIFA I Downtown Development Authority	Total
Governmental activities					
LDFA Island Industrial Park	\$ 226,538	\$ -	\$ (226,538)	\$ -	\$ (226,538)
TIFA I Downtown Development Authority	288,647	25,334	-	(263,313)	(263,313)
TOTALS	<u>\$ 515,185</u>	<u>\$ 25,334</u>	<u>(226,538)</u>	<u>(263,313)</u>	<u>(489,851)</u>
General revenues					
Property taxes			96,381	86,664	183,045
Local community stabilization			167,133	-	167,133
Investment earnings			560	88	648
Other			-	48,770	48,770
Total general revenues			<u>264,074</u>	<u>135,522</u>	<u>399,596</u>
Change in net position			37,536	(127,791)	(90,255)
Restated net position, beginning of the year			<u>1,666,228</u>	<u>616,409</u>	<u>2,282,637</u>
Net position, end of the year			<u>\$ 1,703,764</u>	<u>\$ 488,618</u>	<u>\$ 2,192,382</u>

See accompanying notes to financial statements.

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Eaton Rapids was incorporated under the laws of the State of Michigan in 1837. The City operates under an elected Mayor - Council (five members) form of government and provides the following services: public safety, highways and streets, water, electricity, sanitation, recreation, public improvements, planning, zoning, and general administrative services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the City (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Discretely Presented Component Units

The TIFA I Downtown Development Authority and the LDFA Island Industrial Park (component units) are reported in a separate column to emphasize that, while legally separate, the City remains financially accountable for these entities or the nature and significance of the relationship between these entities and the City is such that exclusion of these entities would render the financial statements misleading or incomplete.

The governing bodies of the TIFA I Downtown Development Authority and the LDFA Island Industrial Park are appointed by the City Council, the budgets are subject to the approval of the City Council, the City temporarily relinquishes part of its tax base to the entities (tax increment revenues), and the City has pledged its full faith and credit toward payment of the entities' debt.

Fiduciary Component Unit

The Other Post-Employment Benefits (OPEB) Fund was established to account for the assets set aside to fund the City of Eaton Rapids Other Post-Employment Benefits Plan. The primary purpose of the Trust is to provide the necessary funding for the retiree health benefits provided to eligible City employees during retirement. The Trust was established through MERS in a Retiree Health Funding Vehicle, with the City Council serving as the trustees. The assets of the Trust are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purpose prior to the satisfaction of all liabilities. The assets are protected from any of the City's creditors. Members of the Board of Directors of the Trust are the same as the City Council. The City Council has the ability to exercise oversight responsibility, specifically in the area of designation of management.

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Blended Component Unit

The City council established the City of Eaton Rapids Building Authority under State law. The three-member Authority Board's purpose will be to acquire, improve, and maintain buildings other than infrastructure for purposes of the City.

Basis of Presentation

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements, but interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

**FUND FINANCIAL STATEMENTS**

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The City reports the following *major governmental fund*:

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

The City reports the following *major enterprise fund*:

- The Utility Fund is used to account for activities and operations of the electric plant, water, and sewage treatment plant. These activities are financed primarily through property taxes and user charges.

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

FUND FINANCIAL STATEMENTS (continued)

Additionally, the City reports the following *fund types*:

- a. Internal service funds account for the management of the motor pool and public employee benefits provided to various departments of the City on cost reimbursement basis.
- b. Component units fiduciary funds are used to account for the assets held in a trustee capacity. The Other Post-Employment Benefits Fund accounts for the assets held by the Municipal Employees' Retirement System (MERS) to fund future medical insurance for eligible retirees and their beneficiaries.
- b. Custodial funds account for assets held by the City as a custodian for other governments, private organizations, or individuals. The City's custodial fund is the Tax Fund.

Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet, when applicable. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. Revenues that are considered measurable but not available are recorded as a receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the City to disburse fiduciary resources.

If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The General and any major special revenue funds' budgets shown as required supplementary information was prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to the first regular Council meeting in May, the Budget Committee submits to the City Council a proposed operating budget for the fiscal year beginning the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A Public Hearing is conducted to obtain taxpayers' comments by the end of May.
- c. No later than the third Monday in June, the budget is legally enacted through passage of a resolution.
- d. The City Manager is authorized to make budgetary transfers between the line items of departments established through these budgets, except salaries/wages and capital outlay items, with all transfers reported to the City Council at its next regular meeting. All transfers between departments and all transfers of salaries/wages and capital outlay items within departments may be made only by City Council action.
- e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
- f. All annual appropriations lapse at year end.

The General Fund budget is adopted on an activity level basis and the Special Revenue Funds' budgets are adopted on a total fund level.



**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash, cash equivalents, and Investments

The City maintains a pool for all City funds. Each fund's portion of the pool is displayed on the statement of net position/balance sheet as "cash, cash equivalents, and investments".

The City's cash and cash equivalents consist of checking and savings accounts, cash on hand, and certificates of deposit with original maturities of less than 90 days.

Investments consist of certificates of deposit with original maturities of greater than 90 days and consist of the MERS Total Market Portfolio. Only the participants in a MERS Plan can invest in MERS Funds, which are managed in a separate account in a collective trust, specifically for MERS Plans. Investments are recorded at fair value.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Restricted Cash and Investments

Certain revenues and resources in the proprietary fund types are classified as restricted on the balance sheet because their use is limited. The restricted cash and investments of the City reported in the Utility Fund represent customer deposits and accumulated funds required for the applicable bond covenants are held in a separate account.

Receivables and Due from other Governments

Receivables consist of amounts due from the State and Federal Government for various payments and grants and receivables for charges for services provided to local governmental units, accounts receivable related to charges for services, interest receivable, and other amounts owed to the City at year-end.

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Property Tax

Property taxes are levied by the City on July 1 and are payable without penalty through August 31. The City bills and collects its own property taxes and also taxes for the county, intermediate school district, and other school districts. All tax collections are accounted for in a trust and agency fund.

The City is permitted by state statute and City Charter to levy taxes up to 8.5084 mills (\$8.55 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2022, the City levied 8.5084 mills per \$1,000 of taxable valuation for general governmental services and 0.8505 mills for parks and recreation, and 4.8944 mills for wastewater improvements. The total taxable value for the 2021 levy for the property within the City was \$117,744,810.

Capital Assets

**PRIMARY GOVERNMENT AND COMPONENT UNITS**

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	10 - 20 years
Buildings and improvements	10 - 40 years
Machinery, equipment, and furniture	5 - 20 years
Vehicles	3 - 10 years
Utility Systems	10 - 40 years
Infrastructure	20 - 25 years

Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

The Statement of Net Position reports unearned revenue for resources that have been received, but not yet earned.

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year are reported as current liabilities with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Compensated Absences

The cost of the compensated absences, including related payroll taxes, is recorded in the government-wide financial statements for governmental activities. For proprietary funds, it is recorded as a liability and expensed as incurred.

Vacation days are earned by employees at a rate of 10 to 25 days per year.

Sick days are earned by employees at a rate of five days per year. Sick days may be banked with a cap of 240 hours. At the time an employee leaves the City, the banked time would be paid out at 50% of what was in the bank at the rate the time was earned.

Personal leave days are earned by employees at a rate of 5 to 12 days per year.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City reports deferred outflows of resources for the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt and recognized as an outflow of resources in the period to which it applies.

The City also reports deferred outflows of resources and deferred inflows of resources which correspond to the City's net pension liability and net OPEB liability and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

**CITY OF EATON RAPIDS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Inventories

Inventories are valued at the lower of cost or market utilizing the first-in, first-out (FIFO) method. Inventories in the enterprise funds consist of water, sewer, and electric system parts and supplies.

Net Pension Liability and Net Other Post-Employment Benefits Liability

The net pension liability and net other post-employment liability are deemed to be noncurrent liabilities and are recognized on the statement of net position.

Accrued Interest Payable

Accrued interest payable is associated with long-term obligations and presented in the government-wide and proprietary funds financial statements.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers.

Restrictions of net position

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by an outside source which precludes their use for unrestricted purposes.

Details of Fund Balance Classifications

Fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority.

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Details of Fund Balance Classifications - continue

*Unassigned* - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the City's highest level of decision-making authority is the City Council. Formal action that is required to be taken to establish a fund balance commitment has not been determined by the City Council.

For assigned fund balance, the City Council has not approved a policy indicating anyone is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the City Council.

The City has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy the City considers restricted amount to have been spent first when expenditure is incurred for which both restricted and unrestricted fund balance is available.

Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

As of June 30, 2022, the City had deposits and investments subject to the following risk.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2022, \$2,925,351 of the City's bank balance of \$15,357,744 was exposed to custodial credit risk because it was uninsured and uncollateralized. The City's deposits had a carrying amount of \$14,931,483 as of June 30, 2022. The cash caption on the primary government's financial statements includes \$650 of petty cash.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business. As of June 30, 2022, the City did not hold any investments that were subject to custodial credit risk.

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Interest Rate Risk

In accordance with its investment policy, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements. The average maturities of investments are noted below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>	<u>Standard &amp; Poor's Rating</u>
U.S. Government Bonds	<u>\$ 543,696</u>	<u>2.27</u>	AA+

One day maturity equals 0.0027, on year equals 1.00.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. As of June 30, 2022, the City held investments that were subject to ratings as noted above.

Fair Value Measurements

The City is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Price determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Fair Value Measurements - continued

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investments that are measured at fair value using net asset per value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. The City had the following fair value measurements as of June 30, 2022:

	Fair Value Measurements			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments by fair value level				
U.S. Government Bonds	\$ 543,696	\$ -	\$ -	\$ 543,696
Investments at net asset value (NAV)				
MERS Total Market Portfolio				319,250
Total investments				\$ 862,946

Concentration of Credit Risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk

The City is not authorized to invest in investments which have this type of risk.

**CITY OF EATON RAPIDS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Investments in Entities that Calculate Net Asset Value Per Share

The City holds shares or interests in the MERS total market portfolio 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. MERS invests assets in a manner which will seek the highest investment return consistent with the preservation of principal and meet the daily liquidity needs of participants.

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

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
MERS Total Market Portfolio	\$ 319,250	\$ -	No restrictions	None

The following summarizes the categorization of these amounts as of June 30, 2022:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and investments	\$ 11,661,508	\$ 1,710,437	\$ 321,078	\$ 13,693,023
Cash and investments - restricted	2,100,596	-	-	2,100,596
	<u>\$ 13,762,104</u>	<u>\$ 1,710,437</u>	<u>\$ 321,078</u>	<u>\$ 15,793,619</u>

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

**NOTE 3 - CASH AND INVESTMENTS - RESTRICTED**

The following summarizes the restricted cash and investments as of June 30, 2022:

	<u>Utility Fund</u>
Customer deposits	\$ 181,862
Bond reserve	<u>1,918,734</u>
	<u>\$ 2,100,596</u>



**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - INTERNAL BALANCES**

The following schedule details advances receivable and payable between funds as of June 30, 2022:

Advance to nonmajor governmental fund from Utility Fund	<u><u>\$ 140,000</u></u>
--	--------------------------

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2022, are as follows:

Due to General Fund from Utility Fund	\$ 2,117,623
Nonmajor governmental funds	<u>38,146</u>
	<u><u>\$ 2,155,769</u></u>
Due to nonmajor governmental funds from General Fund	<u><u>\$ 10,440</u></u>
Due to Utility Fund from General Fund	\$ 824,542
Nonmajor governmental funds	11,345
Internal Service Funds	<u>371,673</u>
	<u><u>\$ 1,207,560</u></u>
Due to Internal Service Fund from General Fund	\$ 105,168
Utility Fund	<u>473,332</u>
	<u><u>\$ 578,500</u></u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022, was as follows:

**Primary Government**

	Restated Balance July 1, 2021	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2022
Governmental activities				
Capital assets not being depreciated				
Land	\$ 747,077	\$ -	\$ -	\$ 747,077
Work in progress	1,060,112	933,163	(1,993,275)	-
Subtotal, capital assets not being depreciated	1,807,189	933,163	(1,993,275)	747,077
Capital assets being depreciated				
Buildings and improvements	4,956,039	-	-	4,956,039
Land improvements	1,349,236	1,993,275	-	3,342,511
Vehicles	2,412,434	84,530	-	2,496,964
Machinery, equipment, and furniture	871,643	-	-	871,643
Infrastructure	4,233,296	377,518	-	4,610,814
Subtotal	13,822,648	2,455,323	-	16,277,971
Less accumulated depreciation for:				
Buildings and improvements	(2,946,737)	(92,211)	-	(3,038,948)
Land improvements	(759,817)	(56,416)	-	(816,233)
Vehicles	(1,410,786)	(168,888)	-	(1,579,674)
Machinery, equipment, and furniture	(631,783)	(29,552)	-	(661,335)
Infrastructure	(2,087,978)	(249,479)	-	(2,337,457)
Subtotal	(7,837,101)	(596,546)	-	(8,433,647)
Net capital assets being depreciated	5,985,547	1,858,777	-	7,844,324
Capital assets, net	<u>\$ 7,792,736</u>	<u>\$ 2,791,940</u>	<u>\$ (1,993,275)</u>	<u>\$ 8,591,401</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 74,380
Public safety	169,792
Public works	342,115
Recreation and culture	<u>10,259</u>
Total depreciation expense	<u>\$ 596,546</u>

**CITY OF EATON RAPIDS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - CAPITAL ASSETS (continued)**

**Primary Government (continued)**

	Restated Balance July 1, 2021	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2022
Business-type activities				
Capital assets not being depreciated				
Work in progress	\$ 744,076	\$ 631,492	\$ (1,375,568)	\$ -
Capital assets being depreciated				
Water	9,068,818	411,214	-	9,480,032
Electric	8,696,380	1,957,395	-	10,653,775
Sewage	14,840,999	157,777	-	14,998,776
Subtotal	32,606,197	2,526,386	-	35,132,583
Less accumulated depreciation for:				
Water	(5,886,423)	(276,866)	-	(6,163,289)
Electric	(7,679,420)	(226,563)	-	(7,905,983)
Sewage	(11,537,133)	(531,296)	-	(12,068,429)
Subtotal	(25,102,976)	(1,034,725)	-	(26,137,701)
Net capital assets being depreciated	7,503,221	1,491,661	-	8,994,882
Capital assets, net	<u>\$ 8,247,297</u>	<u>\$ 2,123,153</u>	<u>\$ (1,375,568)</u>	<u>\$ 8,994,882</u>
Water		\$ 276,866		
Electric		226,563		
Sewage		<u>531,296</u>		
Total depreciation expense		<u>\$ 1,034,725</u>		

**Component Units**

	Balance July 1, 2021	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2022
Component Units				
Capital assets not being depreciated				
Land	\$ 1,147,954	\$ -	\$ -	\$ 1,147,954
Capital assets being depreciated				
Land improvements	1,530,045	-	-	1,530,045
Infrastructure	417,359	-	-	417,359
Subtotal	1,947,404	-	-	1,947,404
Less accumulated depreciation for:				
Land improvements	(612,018)	(76,502)	-	(688,520)
Infrastructure	(48,692)	(8,347)	-	(57,039)
Subtotal	(660,710)	(84,849)	-	(745,559)
Net capital assets being depreciated	1,286,694	(84,849)	-	1,201,845
Capital assets, net	<u>\$ 2,434,648</u>	<u>\$ (84,849)</u>	<u>\$ -</u>	<u>\$ 2,349,799</u>

**CITY OF EATON RAPIDS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations (including current portion) of the City for the year ended June 30, 2022:

	Restated Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Amounts Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
General obligation bonds					
2009 Capital improvement bonds	\$ 65,000	\$ -	\$ (20,000)	\$ 45,000	\$ 20,000
2009 Building authority refunding bonds	265,000	-	(265,000)	-	-
2016 General obligation bonds	850,000	-	(160,000)	690,000	165,000
Notes from direct borrowing and direct placements					
Installment purchase agreement	65,695	-	(32,401)	33,294	33,294
Installment purchase agreement	366,708	-	(28,227)	338,481	29,152
Compensated absences	165,054	107,157	(113,756)	158,455	109,208
	<u>1,777,457</u>	<u>107,157</u>	<u>(619,384)</u>	<u>1,265,230</u>	<u>356,654</u>
Business-type Activities					
General obligation bonds					
2009 Capital improvement bonds	95,000	-	(45,000)	50,000	50,000
Other long-term obligations					
2004 WWTP improvement bonds	2,732,300	-	(530,000)	2,202,300	540,000
Compensated absences	57,755	77,855	(71,120)	64,490	64,490
	<u>2,885,055</u>	<u>77,855</u>	<u>(646,120)</u>	<u>2,316,790</u>	<u>654,490</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>4,662,512</u>	<u>185,012</u>	<u>(1,265,504)</u>	<u>3,582,020</u>	<u>1,011,144</u>
<b>COMPONENT UNITS</b>					
General obligation bonds					
2009 Capital improvement bonds - DDA	360,000	-	(35,000)	325,000	40,000
2016 Tax increment refunding bonds - LDFA	1,505,000	-	(210,000)	1,295,000	210,000
<b>TOTAL COMPONENT UNIT</b>	<u>1,865,000</u>	<u>-</u>	<u>(245,000)</u>	<u>1,620,000</u>	<u>250,000</u>
<b>TOTAL REPORTING ENTITY</b>	<u>\$ 6,527,512</u>	<u>\$ 185,012</u>	<u>\$ (1,510,504)</u>	<u>\$ 5,202,020</u>	<u>\$ 1,261,144</u>

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM OBLIGATIONS (continued)**

Significant details regarding outstanding long-term obligations are presented below:

**PRIMARY GOVERNMENT**

General Obligation Bonds

\$265,000 Capital Improvement Bonds dated September 15, 2009, due in annual installments ranging from \$20,000 to \$25,000 through June 2029 with interest ranging from 4.60% to 5.00%, payable semi-annually. \$ 45,000

\$555,000 Capital Improvement Bonds dated November 20, 2008, due in an annual installment of \$50,000 in June 2023, with interest of 5.00%, payable semi-annually. 50,000

\$1,600,000 General Obligation Bonds dated June 30, 2016, due in annual installments ranging from \$165,000 to \$180,000 through June 2026, with interest ranging from 1.85% to 2.25%, payable annually. 690,000

\$ 785,000

Notes from Direct Borrowings and Direct Placements

*Install Purchase Agreement*

\$298,101 Installment Purchase Agreement dated December 14, 2012, due in an annual installment of \$33,294 through August 2022, including interest at 2.75%. The purchase agreement is secured by the fire truck purchased. The agreement contains provisions that in an event of default the lender has various options including declaring the entire unpaid balance due immediately, require prompt return or secure possession of real property, and charge the City for reasonable fees and other expenses as a result of the default. \$ 33,294

\$399,247 Installment Purchase Agreement dated September 15, 2020, due in an annual installment ranging from \$28,227 to \$38,966 through April 2032, including interest at 3.28%. The purchase agreement is secured by the fire truck purchased. The agreement contains provisions that in an event of default the lender has various options including declaring the entire unpaid balance due immediately, require prompt return or secure possession of real property, and charge the City for reasonable fees and other expenses as a result of the default. 338,481

\$ 371,775

Other Debt

*Revenue Bonds*

\$9,545,000 WWTP Improvement Bonds dated September 23, 2004, due in annual installments ranging from \$540,000 to \$560,000 through April 2026, with interest of 2.125%, payable semi-annually. \$ 2,202,300

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM OBLIGATIONS (continued)**

Compensated Absences

In accordance with the City's personnel policies, individual employees have vested rights upon termination of employment to receive payment for unused sick pay under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amount to \$158,455 for governmental activities and \$64,490 for business-type activities. The current and noncurrent portions of the liability have been recorded as in both the governmental activities and the business-type activities financial statements. These liabilities are expected to be liquidated by the General Fund and the Utilities Fund.

**COMPONENT UNITS**

General Obligation Bonds

\$710,000 Capital Improvement Bonds dated September 15, 2009, due in annual installments ranging from \$40,000 to \$55,000 through June 2029, with interest ranging from 4.60% to 5.00%, payable semi-annually.	\$ 325,000
\$2,155,000 Local Development Finance Authority Bond dated October 24, 2016, due in annual installments ranging from \$210,000 to \$220,000 through June 2028, with interest ranging from 1.95% to 2.45%, payable semi-annually.	<u>1,295,000</u>
	<u><u>\$ 1,620,000</u></u>

Advance Refunding - Prior

On October 24, 2016, the City defeased the portion of the 2008 Tax Increment Bonds which were due and payable June 1, 2019 through June 1, 2028. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2016 Tax Increment Refunding Bonds in the amount of \$2,155,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2022, bonds due and payable June 1, 2023 through June 1, 2028, for the 2008 Tax Increment Bonds in the amount of \$1,285,000 are considered defeased.

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM OBLIGATIONS (continued)**

The annual requirements to pay the debt principal and interest outstanding for the Bonds and other obligations are as follows:

Year Ending June 30,	General Obligation Bonds					
	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 185,000	\$ 16,686	\$ 50,000	\$ 2,500	\$ 250,000	\$ 44,732
2024	195,000	12,548	-	-	250,000	38,798
2025	175,000	7,812	-	-	260,000	32,492
2026	180,000	4,050	-	-	265,000	25,620
2027	-	-	-	-	270,000	18,420
2028-2030	-	-	-	-	325,000	13,393
	<u>\$ 735,000</u>	<u>\$ 41,096</u>	<u>\$ 50,000</u>	<u>\$ 2,500</u>	<u>\$ 1,620,000</u>	<u>\$ 173,455</u>
Year Ended June 30,	Notes from Direct Borrowings and Direct Placements		Other Long-term Obligations			
	Installment Purchase Agreements		Revenue Bonds			
	Governmental Activities		Business-type Activities			
	Principal	Interest	Principal	Interest		
2023	\$ 62,446	\$ 12,008	\$ 540,000	\$ 46,798		
2024	30,107	10,136	550,000	35,324		
2025	31,093	9,149	560,000	23,636		
2026	32,112	8,131	552,300	11,736		
2027	33,164	7,078	-	-		
2028-2032	182,853	18,361	-	-		
	<u>\$ 371,775</u>	<u>\$ 64,863</u>	<u>\$ 2,202,300</u>	<u>\$ 117,494</u>		

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

Plan Description

The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees' Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at [www.mersofmich.com](http://www.mersofmich.com).

Summary of Significant Accounting Policies

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

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)**

Benefits Provided

Benefits provided include plans with multipliers ranging from 1.50% to 2.50% with an 80% or no max, depending on division.

Vesting periods range from 6 to 10 years.

Normal retirement age is 60 with unreduced early retirement at 50 to 55, with 25 years of service, depending on division. Reduced early retirement age is 50 with 25 years of service or 55 with 15 years of service, depending on division.

Final average compensation is calculated based on 3 to 5 years, depending on division. Member contributions are 0.00% to 6.25%, depending on division.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Benefit terms may be subject to binding arbitration in certain circumstances.

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

Inactive employees or beneficiaries receiving benefits	39
Inactive employees entitled to but not yet receiving benefits	28
Active employees	25
	<hr/>
	92
	<hr/> <hr/>

Contributions

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.

Employer contributions range from 1.25% to 15.98% based on annual payroll for open divisions. Seven divisions closed to new employees had total annual employer contribution of \$688,749.

Payable to the Pension Plan

At June 30, 2022, there was \$65,056 consisting of both employer and employee contributions, outstanding and owed to the pension plan.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.



**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)**

Actuarial Assumptions

The total pension liability in the December 31, 2021, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.50%

Salary increases: 3.00% plus merit and longevity; 3.00% in the long-term.

Investment rate of return: 7.00%, net of investment and administrative expenses, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 3.00% - 4.00%.

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

The actuarial assumptions used in the valuation were based on the results of the 2014-2018 Five-Year Experience Study.

Projected Cash Flows

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

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geographic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Expected Money-Weighted Rate of Return</u>
Global equity	60.00%	4.50%	2.70%
Global fixed income	20.00%	2.00%	0.40%
Private investments	<u>20.00%</u>	7.00%	1.40%
	<u>100.00%</u>		
Inflation			<u>2.50%</u>
Assumed investment rate of return			7.00%
Administrative expense netted above			<u>0.25%</u>
Investment rate of return			<u>7.25%</u>

**CITY OF EATON RAPIDS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)**

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of December 31, 2020	\$ 16,432,447	\$ 9,812,738	\$ 6,619,709
Changes for the year			
Service cost	150,815	-	150,815
Interest on total pension liability	1,212,856	-	1,212,856
Difference between expected and actual experience	(349,534)	-	(349,534)
Changes in assumptions	585,187	-	585,187
Employer contributions	-	643,250	(643,250)
Employee contributions	-	75,909	(75,909)
Net investment income	-	1,298,308	(1,298,308)
Benefit payments, including employee refunds	(1,098,459)	(1,098,459)	-
Administrative expense	-	(15,414)	15,414
Net changes	500,865	903,594	(402,729)
Balances as of December 31, 2020	\$ 16,933,312	\$ 10,716,332	\$ 6,216,980

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the employer's net position liability would be using a discount rate that is 1% lower or 1% higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 8,100,371	\$ 6,216,980	\$ 4,634,464

**CITY OF EATON RAPIDS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)**

Pension Expenses 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 \$758,678. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 397,724
Differences in assumptions	424,079	-
Net difference between projected and actual earnings on pension plan investments	-	759,575
Contributions subsequent to the measurement date*	354,037	-
Total	<u>\$ 778,116</u>	<u>\$ 1,157,299</u>

\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition in the net pension liability for the year ending June 30, 2023.

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

Year Ending June 30,	Pension Expense
2023	\$ (77,859)
2024	(317,618)
2025	(224,235)
2026	(113,508)
	<u>\$ (733,220)</u>

Changes in Assumptions

The actuarial assumptions were changed during the year as follows:

Decrease in investment rate of return from 7.35% to 7.00%.

Change in discount rate from 7.60% to 7.25%.

Changes in Benefits

There were no changes of benefit terms during plan year 2021.

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN**

Effective November 2011, as amended June 2019, the City Council established and adopted the Municipal Employees' Retirement System (MERS) 457 Supplemental Retirement Program Plan and Trust (the Plan) which is administered by MERS. The City Council can amend the Plan, as well as establish and amend the contribution requirements. The Plan is intended to qualify under Code Section 457(b) and the Plan is intended to be tax-exempt under Code Section 501(a). All full-time employees are eligible to participate in the defined contribution plan. The City is required to contribute 7% to 10% of earnings for all eligible employees.

The City's contributions to the Plan for the year ended June 30, 2022, totaled \$36,100.

**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

The City of Eaton Rapids Other Post-Employment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the City of Eaton Rapids. The Plan was established and is being funded under the authority of the City and under agreements with the unions representing various classes of employees. The Plan can be amended at the discretion of the City. The Plan does not issue separate stand-alone financial statements.

Benefits Provided

Benefits Eligibility

Administration - Hired on or before 1/1/2019 and age 55 with 20 years of service.

Police - Hired on or before 7/1/2019 age 50 with 25 years of service.

Union - Age 50 with 25 years of service.

Benefits - Medical, Dental and Vision

Administration

Normal Retirement - Retiree must pay 2.5 % of the premium with the employer paying 97.5% of the full premium for an employee and spouse.

Early Retirement

If employee has not reached the age of 55 but has 20 years of service at retirement, the percent of premium paid by the employer will be the employee's age at retirement divided by 55.

If employee is age 55 but has less than 20 years of service at retirement, the percent of premium paid by the employer will be the employee's years of service divided by 20.

Police

Hired before 7/1/2013 - Retiree must pay 20% of the premium with the employer paying 80%.

Hired on or after 7/1/2013 - Retiree must pay 50% of the premium with the employer paying 50%.

Union

Hired before 1/1/2014 - Retiree must pay 20% of the premium with the employer paying 80%.

Hired on or after 1/1/2014 - Retiree must pay 50% of the premium with the employer paying 50%.

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

Benefits Provided - continued

Medicare - a fixed stipend amount coverage secondary to Medicare is available to the retiree and spouse provided that retiree and spouse are enrolled in Medicare at retiree's expense and continue to pay the percent of premium as summarized above.

Summary of Plan Participants

At the June 30, 2022, valuation date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	22
Active employees	17
	39

Contributions

For the year ended June 30, 2022, the City's only contributions were its portion of premium payments.

Net OPEB Liability

The net OPEB liability of the City was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined through an actuarial valuation as of that date.

Actuarial Assumption

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following assumptions:

Inflation	2.50%
Salary increase	3.00% (for purpose of allocating liability)
Investment rate of return	7.00% (including inflation)
20-year Aa municipal bond rate	4.09% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	2010 Public General Employees and Health Retirees, Headcount weighted
Improvement Scale	MP-2021

The assumptions used in the June 30, 2022 valuation was determined by the City's management as of June 30, 2022. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation 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 assets	20.00%	7.00%

The sum of each target allocation times it's long-term expected real rate, plus inflation, is 7.00%

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

Actuarial Assumption - continued

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement 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 rates of return by the target asset allocation percentage and by adding expected inflation.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the City will first use assets to pay benefits and then pay benefits on a pay-as-you-go basis. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members through 2024 -the cross-over point. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

Change in Net OPEB Liability

The change in the net OPEB liability for the year ended June 30, 2022, is as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Change in Net OPEB liability	(a)	(b)	(a)-(b)
Balances at June 30, 2021	\$ 4,347,963	\$ 348,558	\$ 3,999,405
Changes for the year			
Service cost	181,255	-	181,255
Interest on total OPEB liability	97,481	-	97,481
Difference between expected and actual experience	(1,243,928)	-	(1,243,928)
Change in plan terms	(540,474)	-	(540,474)
Changes in assumptions	(906,046)	-	(906,046)
Employer contributions	-	155,947	(155,947)
Net investment income	-	(28,683)	28,683
Benefit payments	(155,947)	(155,947)	-
Administrative expense	-	(625)	625
Net changes	(2,567,659)	(29,308)	(2,538,351)
Balances as of June 30, 2022	\$ 1,780,304	\$ 319,250	\$ 1,461,054

**CITY OF EATON RAPIDS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

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%, as well as what the employer's net OPEB liability would be using a discount rate that is 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 1,604,474</u>	<u>\$ 1,461,054</u>	<u>\$ 1,336,300</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trends rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 1,435,152</u>	<u>\$ 1,461,054</u>	<u>\$ 1,490,656</u>

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 (\$497,714). At June 30, 2022, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 974,331	\$ 1,003,323
Changes in assumptions	482,631	953,337
Net difference between projected and actual earnings on OPEB plan investments	<u>20,360</u>	<u>-</u>
Total	<u>\$ 1,477,322</u>	<u>\$ 1,956,660</u>

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	OPEB Expense
2023	\$ (211,005)
2024	(210,712)
2025	(213,004)
2026	(203,887)
2027	128,093
Thereafter	<u>231,177</u>
	<u><u>\$ (479,338)</u></u>

**NOTE 11 - INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, interfund transfers have been eliminated.

Transfer to General Fund from Nonmajor governmental funds	<u>\$ 10,000</u>
Transfers to nonmajor governmental funds from General Fund	\$ 400,000
Utility Fund	<u>276,395</u>
	<u><u>\$ 676,395</u></u>
Transfer to Utility Fund from General Fund	<u>\$ 12,000</u>
Transfer to Internal Service funds from General Fund	\$ 61,250
Utility Fund	<u>124,000</u>
	<u><u>\$ 185,250</u></u>

The transfers to the nonmajor governmental funds were for debt payments and to cover operational costs. The other transfers made during the year to various funds were for the purposes of funding specific projects within certain funds or to cover operational costs reflected in a particular fund.

**NOTE 12 - CONTINGENT LIABILITIES**

The City continues to monitor and perform annual testing of the City's landfill that has been closed for several years. Environment, Great Lakes, and Energy (EGLE) requires that this maintenance be performed. At this time, it is impossible to predict with any accuracy what, if any, additional remedial work may be required by EGLE prior to approval for final closure of the landfill.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.



**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 - RISK MANAGEMENT**

The City participates in a State pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a State pool, the Michigan Municipal League Liability and Property Pool, with other municipalities for general liability, public officials, law enforcement, employee benefit, automobile, comprehensive and collision. Cyber liability, and data breach liability coverage. The pool is organized under Public Act 138 of 1982, as amended. Pool members' limits of coverage are detailed in their policy agreements with the authority. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

**NOTE 14 - DETAILS OF FUND BALANCE CLASSIFICATIONS**

The following details fund balance classifications as of June 30, 2022:

	General Fund	Nonmajor Governmental Funds	Total
Fund balances			
Nonspendable			
Prepays	\$ 16,018	\$ 4,437	\$ 20,455
Restricted			
Highways and streets	-	1,895,121	1,895,121
Act 302 training	-	23,591	23,591
Parks and recreation	-	21,930	21,930
Building department	-	198,611	198,611
Drug law enforcement	-	77	77
Housing services	-	16,670	16,670
Dog park	-	55	55
Debt service	-	16,956	16,956
Cemetery perpetual care	-	73,853	73,853
Friends of the island	-	31,555	31,555
Committed			
Capital projects	-	1,228	1,228
Unassigned	1,143,897	-	1,143,897
<b>TOTAL FUND BALANCES</b>	<b>\$ 1,159,915</b>	<b>\$ 2,284,084</b>	<b>\$ 3,443,999</b>

**CITY OF EATON RAPIDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 15 - Restatements**

Beginning net position and beginning fund balance have been restated to correct certain activities of the City as noted below:

	Government Activities	Business-type Activities	Component Unit				
Beginning net position as of June 30, 2021	\$ 3,527,700	\$ 12,009,120	\$ 2,054,430				
Understated cash	-	-	228,207				
Overstated cash	(74,068)	(109,527)	-				
Understated due from other governmental units	572,077	381,384	-				
Understated capital assets - construction in progress	1,060,112	744,076	-				
Understated capital assets - vehicles	365,976	-	-				
Understated accrued liabilities	(78,961)	-	-				
Understated long-term debt	(366,708)	-	-				
Restated net position as of June 30, 2021	<u>\$ 5,006,128</u>	<u>\$ 13,025,053</u>	<u>\$ 2,282,637</u>				

  

	General Fund	Major Streets	Local Streets	Parks and Recreation	Utility Fund	Public Employee Benefit	LDFA Island Industrial Park
Beginning fund balance as of June 30, 2021	\$ 1,173,971	\$ 703,657	\$ 599,654	\$ (13,793)	\$ 12,009,120	\$ 406,910	\$ 1,442,909
Understated cash	-	65,001	-	124	-	5,700	228,207
Overstated cash	(79,892)	-	(65,001)	-	(109,527)	-	-
Understated due from other governmental units	572,077	-	-	-	381,384	-	-
Understated capital assets - construction in progress	-	-	-	-	744,076	-	-
Understated accrued liabilities	(78,961)	-	-	-	-	-	-
Restated fund balance as of June 30, 2021	<u>\$ 1,587,195</u>	<u>\$ 768,658</u>	<u>\$ 534,653</u>	<u>\$ (13,669)</u>	<u>\$ 13,025,053</u>	<u>\$ 412,610</u>	<u>\$ 1,671,116</u>

**NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2022, the City implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leased that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

There was no material impact on the City's financial statement after the adoption of GASB Statement 87.

**CITY OF EATON RAPIDS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 17 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

In May 2020, GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The City is current evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used by not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF EATON RAPIDS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 1,025,971	\$ 1,025,971	\$ 948,328	\$ (77,643)
Penalties and interest	4,000	4,000	3,562	(438)
Administration fees	55,000	55,000	69,748	14,748
Trailer fee	800	800	752	(48)
Total taxes	1,085,771	1,085,771	1,022,390	(63,381)
Licenses and permits				
Licenses	750	750	260	(490)
Franchise fees	836,988	836,988	849,729	12,741
Zoning board of appeals	300	300	-	(300)
Total licenses and permits	838,038	838,038	849,989	11,951
Intergovernmental				
Federal	-	-	674,770	674,770
State aid and sales tax	775,000	955,000	794,619	(160,381)
Local	-	304,390	154,195	(150,195)
Total intergovernmental	775,000	1,259,390	1,623,584	364,194
Charges for services				
Grave openings	20,000	20,000	35,718	15,718
Fines and forfeits	13,300	13,300	11,702	(1,598)
Interest and rents				
Interest	10,000	10,000	13,643	3,643
Rentals	55,650	55,650	9,587	(46,063)
Total interest and rents	65,650	65,650	23,230	(42,420)
Other				
Donations	-	5,000	16,750	11,750
Reimbursements	-	-	12,188	12,188
Miscellaneous	48,700	72,700	76,532	3,832
Total other	48,700	77,700	105,470	27,770
TOTAL REVENUES	2,846,459	3,359,849	3,672,083	312,234

**CITY OF EATON RAPIDS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE (continued)  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
City council	\$ 33,175	\$ 33,175	\$ 33,972	\$ (797)
City manager	28,500	70,500	54,494	16,006
General election	15,250	15,250	8,971	6,279
Assessor	67,500	67,500	62,594	4,906
Treasurer	47,000	47,000	44,299	2,701
City clerk	48,950	48,950	52,707	(3,757)
Board of Review	500	500	470	30
Building and grounds	25,000	25,000	21,589	3,411
Senior citizens	-	-	40	(40)
Other	126,300	1,306,300	1,084,146	222,154
Total general government	392,175	1,614,175	1,363,282	250,893
Public safety				
Police	1,142,232	1,142,233	1,161,962	(19,729)
Fire	205,800	205,800	218,419	(12,619)
Building department	22,150	22,150	15,651	6,499
Total public safety	1,370,182	1,370,183	1,396,032	(25,849)
Public works				
Public works	596,350	756,350	547,294	209,056
Cemetery	166,950	166,950	150,500	16,450
Total public works	763,300	923,300	697,794	225,506
Health and welfare				
Ambulance	14,000	14,000	13,938	62
Community and economic development				
Planning and zoning	7,600	167,600	83,521	84,079
Community development	-	20,000	20,000	-
Total community and economic development	7,600	187,600	103,521	84,079
Recreation and culture				
Library	14,000	14,000	25,401	(11,401)
Other	-	33,000	36,145	(3,145)
Total recreation and culture	14,000	47,000	61,546	(14,546)
Capital outlay	159,550	159,550	-	159,550
TOTAL EXPENDITURES	2,720,807	4,315,808	3,636,113	679,695
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	125,652	(955,959)	35,970	991,929

**CITY OF EATON RAPIDS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE (continued)  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 10,000	\$ 569,031	\$ 10,000	\$ (559,031)
Transfers out	<u>(583,250)</u>	<u>(708,250)</u>	<u>(473,250)</u>	<u>235,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(573,250)</u>	<u>(139,219)</u>	<u>(463,250)</u>	<u>(324,031)</u>
NET CHANGE IN FUND BALANCE	(447,598)	(1,095,178)	(427,280)	667,898
Fund balance, beginning of year	<u>1,587,195</u>	<u>1,587,195</u>	<u>1,587,195</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,139,597</u>	<u>\$ 492,017</u>	<u>\$ 1,159,915</u>	<u>\$ 667,898</u>

**CITY OF EATON RAPIDS**  
**DEFINED BENEFIT PENSION PLAN**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST EIGHT MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)**  
**(AMOUNTS WERE DETERMINED AS OF DECEMBER 31 OF EACH YEAR)**

	2014	2015	2016	2017	2018	2019	2020	2021
Total pension liability								
Service cost	\$ 183,651	\$ 204,313	\$ 204,593	\$ 195,392	\$ 189,258	\$ 184,609	\$ 177,390	\$ 150,815
Interest	996,054	996,015	1,113,118	1,133,114	1,148,388	1,169,163	1,212,063	1,212,856
Difference between expected and actual experience	-	456,514	(120,921)	(163,693)	(48,907)	516,313	(668,869)	(349,534)
Changes of assumptions	-	672,241	-	-	-	543,372	394,458	585,187
Benefit payments including employee refunds	(761,548)	(864,911)	(928,190)	(956,317)	(985,309)	(1,068,156)	(1,084,204)	(1,098,459)
Other	(1)	31,125	4	-	-	-	1	-
Net change in total pension liability	418,156	1,495,297	268,604	208,496	303,430	1,345,301	30,839	500,865
Total pension liability, beginning	12,362,324	12,780,480	14,275,777	14,544,381	14,752,877	15,056,307	16,401,608	16,432,447
Total pension liability, ending	<u>\$ 12,780,480</u>	<u>\$ 14,275,777</u>	<u>\$ 14,544,381</u>	<u>\$ 14,752,877</u>	<u>\$ 15,056,307</u>	<u>\$ 16,401,608</u>	<u>\$ 16,432,447</u>	<u>\$ 16,933,312</u>
Plan fiduciary net position								
Contributions - employer	\$ 386,982	\$ 400,477	\$ 380,873	\$ 460,910	\$ 482,265	\$ 529,993	\$ 552,579	\$ 643,250
Contributions - employee	79,309	78,082	74,369	76,225	75,471	74,525	80,438	75,909
Net investment income	529,900	(127,375)	904,943	1,111,084	(347,836)	1,121,146	1,224,192	1,298,308
Benefit payments including employee refunds	(761,548)	(864,911)	(928,190)	(956,317)	(985,309)	(1,068,156)	(1,084,204)	(1,098,459)
Administrative expense	(19,419)	(18,667)	(17,889)	(17,622)	(17,600)	(19,292)	(17,881)	(15,414)
Net change in plan fiduciary net position	215,224	(532,394)	414,106	674,280	(793,009)	638,216	755,124	903,594
Plan fiduciary net position, beginning	8,441,191	8,656,415	8,124,021	8,538,127	9,212,407	8,419,398	9,057,614	9,812,738
Plan fiduciary net position, ending	<u>\$ 8,656,415</u>	<u>\$ 8,124,021</u>	<u>\$ 8,538,127</u>	<u>\$ 9,212,407</u>	<u>\$ 8,419,398</u>	<u>\$ 9,057,614</u>	<u>\$ 9,812,738</u>	<u>\$ 10,716,332</u>
City's net pension liability	<u>\$ 4,124,065</u>	<u>\$ 6,151,756</u>	<u>\$ 6,006,254</u>	<u>\$ 5,540,470</u>	<u>\$ 6,636,909</u>	<u>\$ 7,343,994</u>	<u>\$ 6,619,709</u>	<u>\$ 6,216,980</u>
Plan fiduciary net position as a percentage of the total pension liability	68%	57%	59%	62%	56%	55%	60%	63%
Covered payroll	<u>\$ 1,750,141</u>	<u>\$ 2,030,058</u>	<u>\$ 1,970,006</u>	<u>\$ 1,860,156</u>	<u>\$ 1,919,070</u>	<u>\$ 1,904,311</u>	<u>\$ 1,864,854</u>	<u>\$ 1,584,982</u>
City's net pension liability as a percentage of covered payroll	236%	303%	305%	298%	346%	386%	355%	392%



**CITY OF EATON RAPIDS  
DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST EIGHT FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)  
(AMOUNTS WERE DETERMINED AS OF JUNE 30 OF EACH FISCAL YEAR)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially determined contributions	\$ 393,271	\$ 390,978	\$ 424,370	\$ 392,798	\$ 481,741	\$ 451,558	\$ 527,923	\$ 707,807
Contributions in relation to the actuarially determined contribution	<u>393,271</u>	<u>390,978</u>	<u>424,370</u>	<u>392,798</u>	<u>481,741</u>	<u>451,558</u>	<u>527,923</u>	<u>707,807</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,961,806</u>	<u>\$ 1,999,071</u>	<u>\$ 2,059,368</u>	<u>\$ 1,572,338</u>	<u>\$ 1,880,053</u>	<u>\$ 1,870,190</u>	<u>\$ 1,919,054</u>	<u>\$ 1,678,777</u>
Contributions as a percentage of covered payroll	20%	20%	21%	25%	26%	24%	28%	42%

**CITY OF EATON RAPIDS**  
**POST-EMPLOYMENT HEALTH CARE BENEFITS**  
**SCHEDULE OF CHANGES IN EMPLOYER'S NET OPEB LIABILITY AND RELATED RATIOS**  
**LAST FIVE FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)**  
**(AMOUNTS WERE DETERMINED AS OF JUNE 30 OF EACH FISCAL YEAR)**

	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	\$ 342,989	\$ 353,279	\$ 364,251	\$ 127,993	\$ 181,255
Interest on total OPEB liability	288,279	302,250	312,942	152,862	97,481
Difference between expected and actual experience	-	28,012	1,377,195	27,243	(1,243,928)
Change in benefit terms	-	-	(7,931,229)	-	(540,474)
Changes of assumptions	-	-	(326,210)	648,483	(906,046)
Benefit payments	<u>(310,031)</u>	<u>(351,649)</u>	<u>(324,644)</u>	<u>(310,380)</u>	<u>(155,947)</u>
Net change in total OPEB liability	321,237	331,892	(6,527,695)	646,201	(2,567,659)
Total OPEB liability, beginning	<u>9,576,328</u>	<u>9,897,565</u>	<u>10,229,457</u>	<u>3,701,762</u>	<u>4,347,963</u>
Total OPEB liability, ending	<u><u>\$ 9,897,565</u></u>	<u><u>\$ 10,229,457</u></u>	<u><u>\$ 3,701,762</u></u>	<u><u>\$ 4,347,963</u></u>	<u><u>\$ 1,780,304</u></u>
Plan fiduciary net position					
Contributions to OPEB trust	\$ -	\$ 140,000	\$ 140,000	\$ -	\$ -
Contributions - employer	310,031	351,649	324,644	310,380	155,947
Net investment income	-	2,328	470	66,350	(28,683)
Benefit payments	(310,031)	(351,649)	(324,644)	(310,380)	(155,947)
Administrative expense	<u>-</u>	<u>(12)</u>	<u>-</u>	<u>(578)</u>	<u>(625)</u>
Net change in plan fiduciary net position	-	142,316	140,470	65,772	(29,308)
Plan fiduciary net position, beginning	<u>-</u>	<u>-</u>	<u>142,316</u>	<u>282,786</u>	<u>348,558</u>
Plan fiduciary net position, ending	<u><u>\$ -</u></u>	<u><u>\$ 142,316</u></u>	<u><u>\$ 282,786</u></u>	<u><u>\$ 348,558</u></u>	<u><u>\$ 319,250</u></u>
City's net OPEB liability	<u><u>\$ 9,897,565</u></u>	<u><u>\$ 10,087,141</u></u>	<u><u>\$ 3,418,976</u></u>	<u><u>\$ 3,999,405</u></u>	<u><u>\$ 1,461,054</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%	1%	8%	8%	18%
Covered payroll	<u><u>\$ 2,171,316</u></u>	<u><u>\$ 2,826,837</u></u>	<u><u>\$ 1,475,429</u></u>	<u><u>\$ 1,639,787</u></u>	<u><u>\$ 1,141,514</u></u>
City's net OPEB liability as a percentage of covered payroll	456%	357%	232%	244%	128%

**CITY OF EATON RAPIDS  
POST-EMPLOYMENT HEALTH CARE BENEFITS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST FIVE FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)  
(AMOUNTS WERE DETERMINED AS OF JUNE 30 OF EACH FISCAL YEAR)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Annually determined contributions	\$ 996,959	\$ 1,115,623	\$ 1,178,224	\$ 377,342	\$ 397,608
Contributions in relation to the annually determined contribution	<u>310,031</u>	<u>491,649</u>	<u>464,644</u>	<u>310,380</u>	<u>155,947</u>
Contribution deficiency (excess)	<u>\$ 686,928</u>	<u>\$ 623,974</u>	<u>\$ 713,580</u>	<u>\$ 66,962</u>	<u>\$ 241,661</u>
Covered payroll	<u>\$ 2,171,316</u>	<u>\$ 2,826,837</u>	<u>\$ 1,475,429</u>	<u>\$ 1,639,787</u>	<u>\$ 1,141,514</u>
Contributions as a percentage of covered payroll	14%	17%	31%	19%	14%

**CITY OF EATON RAPIDS  
 POST-EMPLOYMENT HEALTH CARE BENEFITS  
 SCHEDULE OF INVESTMENT RETURNS  
 LAST FIVE FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)  
 (AMOUNTS WERE DETERMINED AS OF JUNE 30 OF EACH FISCAL YEAR)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Annual money-weighted rate of return, net of investment expenses	-	3.3%	0.2%	20.8%	-8.8%

**CITY OF EATON RAPIDS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2022**

**NOTE 1 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local government unit not incur expenditures in excess of amounts appropriated.

During the year ended June 30, 2022, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Fund			
Current			
General government			
City council	\$ 33,175	\$ 33,972	\$ 797
City clerk	48,950	52,707	3,757
Senior citizens	-	40	40
Public safety			
Police	1,142,233	1,161,962	19,729
Fire	205,800	218,419	12,619
Recreation and culture			
Library	14,000	25,401	11,401
Other	33,000	36,145	3,145

**NOTE 2 - PENSION PLAN**

Actuarial valuation information relative to the determination of contributions:

Valuation date	December 31, 2021
Measurement date	December 31, 2021

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Asset valuation method	5 year smoothing
Remaining amortization period	17 years
Inflation	2.50%
Salary increases	3.00% plus merit and longevity; 3.00% in the long term
Investment rate of return	7.00%, net of investment and administrative expense, including inflation
Mortality	Pub-2010 and fully generational MP-2019

**CITY OF EATON RAPIDS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2022**

**NOTE 2 - PENSION PLAN (continued)**

Changes of benefits terms: There were no changes of benefit terms for the plan year 2022.

Changes of assumptions: Change in investment rate of return from 7.35% to 7.00%  
Change in discount rate from 7.60% to 7.25%

**NOTE 3 - OTHER POST-EMPLOYMENT BENEFITS PLAN**

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2022
Measurement date	June 30, 2022

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Asset valuation method	Market value
Remaining amortization period	17 years
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.00% (including inflation)
Utilization	100% of future retirees will elect coverage at retirement; actual coverage used for non-active
20-year Aa Municipal bond rate	4.09% (S&P Municipal Bond 20-Year High Grade Rate Index)
Health care trend rate(s)	Pre-Medicare: 7.25% graded down to 4.50% by 0.25% per year Post-Medicare: None
Mortality	2010 Public General Employee and Healthy Retiree, Headcount weighted with MP-2021 improvement scale

Changes of benefits terms: There were no changes of benefit terms for the plan year 2022.

Changes of assumptions: Salary scale updated from 3.75% to 3.00%  
Change in discount rate from 2.19% to 7.00%

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF EATON RAPIDS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2022**

	Special			
	Major Streets	Local Streets	Eaton County Road Fund	Act 302 Training
<b>ASSETS</b>				
Cash and investments	\$ 999,631	\$ 605,809	\$ 223,050	\$ 23,591
Due from other governmental units	80,569	27,920	-	-
Due from other funds	-	-	-	-
Prepays	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,080,200</b>	<b>\$ 633,729</b>	<b>\$ 223,050</b>	<b>\$ 23,591</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 31,841	\$ 1,664	\$ -	\$ -
Accrued wages payable	506	669	-	-
Accrued liabilities	335	412	-	-
Due to other funds	4,394	2,037	-	-
Unearned revenue	-	-	-	-
Advance from other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>37,076</b>	<b>4,782</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	1,043,124	628,947	223,050	23,591
Committed	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>1,043,124</b>	<b>628,947</b>	<b>223,050</b>	<b>23,591</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,080,200</b>	<b>\$ 633,729</b>	<b>\$ 223,050</b>	<b>\$ 23,591</b>



Revenue Funds						Debt Service
Parks and Recreation	Building Department	Drug Law Enforcement	MSHDA CDBG	ARPA	Dog Park	Building Authority Debt
\$ 183,518	\$ 222,757	\$ 77	\$ 16,670	\$ 533,694	\$ 55	\$ 16,960
-	-	-	-	-	-	-
10,440	-	-	-	-	-	-
2,053	2,384	-	-	-	-	-
<u>\$ 196,011</u>	<u>\$ 225,141</u>	<u>\$ 77</u>	<u>\$ 16,670</u>	<u>\$ 533,694</u>	<u>\$ 55</u>	<u>\$ 16,960</u>
\$ 2,732	\$ 1,898	\$ -	\$ -	\$ -	\$ -	\$ -
3,278	2,451	-	-	-	-	-
1,834	921	-	-	-	-	4
24,184	18,876	-	-	-	-	-
-	-	-	-	533,694	-	-
140,000	-	-	-	-	-	-
<u>172,028</u>	<u>24,146</u>	<u>-</u>	<u>-</u>	<u>533,694</u>	<u>-</u>	<u>4</u>
2,053	2,384	-	-	-	-	-
21,930	198,611	77	16,670	-	55	16,956
-	-	-	-	-	-	-
<u>23,983</u>	<u>200,995</u>	<u>77</u>	<u>16,670</u>	<u>-</u>	<u>55</u>	<u>16,956</u>
<u>\$ 196,011</u>	<u>\$ 225,141</u>	<u>\$ 77</u>	<u>\$ 16,670</u>	<u>\$ 533,694</u>	<u>\$ 55</u>	<u>\$ 16,960</u>

**CITY OF EATON RAPIDS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (continued)  
JUNE 30, 2022**

	Capital Project	Permanent Funds		
	Capital Project	Cemetery Perpetual Care	Friends of the Island	Total
<b>ASSETS</b>				
Cash and investments	\$ 1,228	\$ 73,853	\$ 31,555	\$ 2,932,448
Due from other governmental units	-	-	-	108,489
Due from other funds	-	-	-	10,440
Prepays	-	-	-	4,437
<b>TOTAL ASSETS</b>	<b>\$ 1,228</b>	<b>\$ 73,853</b>	<b>\$ 31,555</b>	<b>\$ 3,055,814</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 38,135
Accrued wages payable	-	-	-	6,904
Accrued liabilities	-	-	-	3,506
Due to other funds	-	-	-	49,491
Deferred revenue	-	-	-	533,694
Advance from other funds	-	-	-	140,000
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>771,730</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	4,437
Restricted	-	73,853	31,555	2,278,419
Committed	1,228	-	-	1,228
<b>TOTAL FUND BALANCES</b>	<b>1,228</b>	<b>73,853</b>	<b>31,555</b>	<b>2,284,084</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,228</b>	<b>\$ 73,853</b>	<b>\$ 31,555</b>	<b>\$ 3,055,814</b>

**CITY OF EATON RAPIDS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2022**

	Special			
	Major Streets	Local Streets	Eaton County Road Fund	Act 302 Training
REVENUES				
Property taxes	\$ -	\$ -	\$ 165,057	\$ -
Licenses and permits	-	-	-	-
Intergovernmental				
Federal	-	-	-	-
State	566,149	180,961	-	-
Local	-	-	-	-
Charges for services	-	-	-	-
Interest	256	212	88	9
Other	-	-	-	996
	<u>566,405</u>	<u>181,173</u>	<u>165,145</u>	<u>1,005</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	1,026
Public works	267,281	86,879	-	-
Recreation and culture	-	-	-	-
Debt service				
Principal retirement	20,000	-	160,000	-
Interest and other charges	4,658	-	17,475	-
	<u>291,939</u>	<u>86,879</u>	<u>177,475</u>	<u>1,026</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>274,466</u>	<u>94,294</u>	<u>(12,330)</u>	<u>(21)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	274,466	94,294	(12,330)	(21)
Restated fund balances, beginning of year	<u>768,658</u>	<u>534,653</u>	<u>235,380</u>	<u>23,612</u>
Fund balances, end of year	<u>\$ 1,043,124</u>	<u>\$ 628,947</u>	<u>\$ 223,050</u>	<u>\$ 23,591</u>

Revenue Funds						Debt Service
Parks and Recreation	Building Department	Drug Law Enforcement	MSHDA CDBG	ARPA	Dog Park	Building Authority Debt
\$ 92,803	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	88,667	-	-	-	-	-
-	-	-	-	17,497	-	-
18,302	-	-	-	-	-	-
2,500	-	-	-	-	-	-
55,873	-	-	-	-	-	-
50	9	-	-	-	-	-
7,690	725	-	-	-	-	-
177,218	89,401	-	-	17,497	-	-
-	-	-	-	17,497	-	-
-	178,664	-	-	-	-	-
-	-	-	-	-	-	-
289,566	-	-	-	-	-	-
-	-	-	-	-	-	265,000
-	-	-	-	-	-	11,395
289,566	178,664	-	-	17,497	-	276,395
(112,348)	(89,263)	-	-	-	-	(276,395)
150,000	250,000	-	-	-	-	276,395
-	-	-	-	-	-	-
150,000	250,000	-	-	-	-	276,395
37,652	160,737	-	-	-	-	-
(13,669)	40,258	77	16,670	-	55	16,956
\$ 23,983	\$ 200,995	\$ 77	\$ 16,670	\$ -	\$ 55	\$ 16,956

**CITY OF EATON RAPIDS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES (continued)  
YEAR ENDED JUNE 30, 2022**

	Capital Project	Permanent Funds		
	Capital Project	Cemetery Perpetual Care	Friends of the Island	Total
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 257,860
Licenses and permits	-	-	-	88,667
Intergovernmental				
Federal	-	-	-	17,497
State	-	-	-	765,412
Local	-	-	-	2,500
Charges for services	-	6,250	-	62,123
Interest	-	29	-	653
Other	-	-	-	9,411
<b>TOTAL REVENUES</b>	<b>-</b>	<b>6,279</b>	<b>-</b>	<b>1,204,123</b>
<b>EXPENDITURES</b>				
Current				
General government	-	-	-	17,497
Public safety	-	-	-	179,690
Public works	-	-	-	354,160
Recreation and culture	-	-	-	289,566
Debt service				
Principal retirement	-	-	-	445,000
Interest and other charges	-	-	-	33,528
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,319,441</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>6,279</b>	<b>-</b>	<b>(115,318)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	676,395
Transfers out	-	(10,000)	-	(10,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(10,000)</b>	<b>-</b>	<b>666,395</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>(3,721)</b>	<b>-</b>	<b>551,077</b>
Fund balances, beginning of year	1,228	77,574	31,555	1,733,007
Fund balances, end of year	<u>\$ 1,228</u>	<u>\$ 73,853</u>	<u>\$ 31,555</u>	<u>\$ 2,284,084</u>

**CITY OF EATON RAPIDS  
UTILITY FUND  
REVENUES AND EXPENSES  
YEAR ENDED JUNE 30, 2022**

	Electric Department	Water Department	Sewage Department	Total
OPERATING REVENUES				
Charges for services	\$ 10,468,779	\$ 845,096	\$ 1,035,801	\$ 12,349,676
Fines and forfeitures	32,240	-	-	32,240
Other revenue	11,636	300	28,166	40,102
TOTAL OPERATING REVENUES	10,512,655	845,396	1,063,967	12,422,018
OPERATING EXPENSES	9,539,639	863,483	972,767	11,375,889
DEPRECIATION	226,563	276,866	531,296	1,034,725
TOTAL OPERATING EXPENSES	9,766,202	1,140,349	1,504,063	12,410,614
OPERATING INCOME (LOSS)	746,453	(294,953)	(440,096)	11,404
NONOPERATING REVENUES (EXPENSES)				
Property taxes	-	-	586,724	586,724
Local community stabilization	-	-	241,312	241,312
Intergovernmental - federal grant	449,847	-	-	449,847
Interest income	3,669	-	-	3,669
Interest expense	-	(718)	(62,811)	(63,529)
TOTAL NONOPERATING REVENUES (EXPENSES)	453,516	(718)	765,225	1,218,023
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,199,969	(295,671)	325,129	1,229,427
OPERATING TRANSFERS				
Transfers in	-	12,000	-	12,000
Transfers out	(276,395)	(124,000)	-	(400,395)
TOTAL TRANSFERS	(276,395)	(112,000)	-	(388,395)
CHANGE IN NET POSITION	\$ 923,574	\$ (407,671)	\$ 325,129	\$ 841,032

**CITY OF EATON RAPIDS  
UTILITY FUND  
EXPENSE BREAKDOWN  
YEAR ENDED JUNE 30, 2022**

	<u>Electric Department</u>	<u>Water Department</u>	<u>Sewage Department</u>	<u>Total</u>
OPERATING EXPENSES				
Personal services	\$ 709,278	\$ 224,665	\$ 339,237	\$ 1,273,180
Contractual services	139,269	84,879	289,156	513,304
Supplies	20,400	10,284	10,349	41,033
Materials	103,389	70,406	34,804	208,599
Utilities	2,937	61,641	167,875	232,453
Telephone	4,952	4,783	3,825	13,560
Insurance	29,387	32,457	42,964	104,808
Maintenance	7,567,952	82,280	64,869	7,715,101
Franchise fees	667,545	63,832	75,611	806,988
Benefit payments	274,148	216,445	(97,559)	393,034
Other expense	20,382	11,811	41,636	73,829
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL OPERATING EXPENSES	<u>\$ 9,539,639</u>	<u>\$ 863,483</u>	<u>\$ 972,767</u>	<u>\$ 11,375,889</u>

**CITY OF EATON RAPIDS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2022**

	Public Employee Benefit	Motor Pool Fund	Total
ASSETS			
Current assets			
Cash and investments	\$ 298,849	\$ -	\$ 298,849
Due from other funds	105,168	473,332	578,500
	<u>404,017</u>	<u>473,332</u>	<u>877,349</u>
Total current assets	404,017	473,332	877,349
Noncurrent assets			
Capital assets, net of accumulated depreciation	-	585,343	585,343
	<u>-</u>	<u>585,343</u>	<u>585,343</u>
TOTAL ASSETS	404,017	1,058,675	1,462,692
	<u>404,017</u>	<u>1,058,675</u>	<u>1,462,692</u>
LIABILITIES			
Current liabilities			
Due to other funds	-	371,673	371,673
Accrued interest payable	-	1,357	1,357
Current portion of long-term debt	-	33,294	33,294
	<u>-</u>	<u>33,294</u>	<u>33,294</u>
Total current liabilities	-	406,324	406,324
NET POSITION			
Net investment in capital assets	-	552,049	552,049
Unrestricted	404,017	100,302	504,319
	<u>404,017</u>	<u>100,302</u>	<u>504,319</u>
TOTAL NET POSITION	\$ 404,017	\$ 652,351	\$ 1,056,368
	<u>\$ 404,017</u>	<u>\$ 652,351</u>	<u>\$ 1,056,368</u>



**CITY OF EATON RAPIDS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2022**

	Public Employee Benefit	Motor Pool Fund	Total
OPERATING REVENUES			
Contributions	\$ 8,218	\$ -	\$ 8,218
OPERATING EXPENSES			
Other expense	16,811	7,599	24,410
Depreciation	-	134,698	134,698
TOTAL OPERATING EXPENSES	16,811	142,297	159,108
OPERATING (LOSS)	(8,593)	(142,297)	(150,890)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	-	32	32
Interest expense	-	(17)	(17)
TOTAL NONOPERATING REVENUE (EXPENSES)	-	15	15
INCOME (LOSS) BEFORE TRANSFERS	(8,593)	(142,282)	(150,875)
OPERATING TRANSFERS			
Transfers in	-	185,250	185,250
CHANGE IN NET POSITION	(8,593)	42,968	34,375
Restated net position, beginning of year	412,610	609,383	1,021,993
Net position, end of year	\$ 404,017	\$ 652,351	\$ 1,056,368

**CITY OF EATON RAPIDS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2022**

	Public Employee Benefit	Motor Pool Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from contributions	\$ 8,218	\$ -	\$ 8,218
Cash paid for employee benefits	(16,811)	-	(16,811)
Cash paid to suppliers	-	(7,599)	(7,599)
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<b>(8,593)</b>	<b>(7,599)</b>	<b>(16,192)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Receipt (payment) from interfund balances	(107,568)	83,591	(23,977)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital asset	-	(84,530)	(84,530)
Payment on capital lease	-	(32,401)	(32,401)
Interest paid	-	(243)	(243)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>(117,174)</b>	<b>(117,174)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	-	32	32
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>-</b>	<b>32</b>	<b>32</b>
<b>NET (DECREASE) IN CASH AND INVESTMENTS</b>	<b>(116,161)</b>	<b>(41,150)</b>	<b>(157,311)</b>
Restated cash and investments, beginning of year	415,010	41,150	456,160
Cash and investments, end of year	<u>\$ 298,849</u>	<u>\$ -</u>	<u>\$ 298,849</u>
<b>Reconciliation of operating (loss) to net cash (used) by operating activities</b>			
Operating (loss)	\$ (8,593)	\$ (142,297)	\$ (150,890)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities			
Depreciation	-	134,698	134,698
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (8,593)</b>	<b>\$ (7,599)</b>	<b>\$ (16,192)</b>

**CITY OF EATON RAPIDS  
 COMPONENT UNIT FUND  
 BALANCE SHEET - LDFA ISLAND INDUSTRIAL PARK  
 JUNE 30, 2022**

<b>ASSETS</b>	
Cash and investments	\$ 1,635,947
Prepaid expenses	<u>392</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 1,636,339</u></u></b>
<b>LIABILITIES</b>	
Accounts payable	\$ 4,580
Accrued payroll	1,363
Accrued liabilities	954
Due to other governmental units	<u>27,034</u>
<b>TOTAL LIABILITIES</b>	<b><u>33,931</u></b>
<b>FUND BALANCE</b>	
Unassigned	<u>1,602,408</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u><u>\$ 1,636,339</u></u></b>

**CITY OF EATON RAPIDS  
COMPONENT UNIT FUND  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE  
STATEMENT OF NET POSITION - LDFA ISLAND INDUSTRIAL PARK  
JUNE 30, 2022**

**Fund balance - governmental fund** \$ 1,602,408

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 therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 2,307,538	
Accumulated depreciation is	<u>(688,520)</u>	
Capital assets, net		1,619,018

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of net position. These amounts consist of:

Deferred charges on refunding	81,827
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Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension/OPEB plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	22,721	
Deferred inflows of resources related to pensions	(33,794)	
Deferred outflows of resources related to OPEB	20,535	
Deferred inflows of resources related to OPEB	<u>(27,198)</u>	
		(17,736)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

Accrued interest payable	(2,387)	
Long-term debt	(1,295,000)	
Net pension liability	(264,057)	
Net other post-employment benefits liability	<u>(20,309)</u>	
		<u>(1,581,753)</u>

**Net position of governmental activities** \$ 1,703,764

**CITY OF EATON RAPIDS  
 COMPONENT UNIT FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - LDFA ISLAND INDUSTRIAL PARK  
 YEAR ENDED JUNE 30, 2022**

REVENUES	
Property taxes	\$ 96,381
Intergovernmental	167,133
Interest	<u>560</u>
TOTAL REVENUES	<u>264,074</u>
EXPENDITURES	
Current	
Community and economic development	90,149
Debt service	
Principal	210,000
Interest	<u>32,633</u>
TOTAL EXPENDITURES	<u>332,782</u>
NET CHANGE IN FUND BALANCE	(68,708)
Restated fund balance, beginning of year	<u>1,671,116</u>
Fund balance, end of year	<u><u>\$ 1,602,408</u></u>

**CITY OF EATON RAPIDS  
COMPONENT UNIT FUND  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES -  
LDFA ISLAND INDUSTRIAL PARK  
YEAR ENDED JUNE 30, 2022**

<b>Net change in fund balance - governmental fund</b>	\$ (68,708)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	(76,502)
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Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Amortization of deferred charges on refunding	\$ (13,637)	
Debt principal retirement	<u>210,000</u>	
		196,363

Some items reported in the statement of activities do not result in the use of current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:

Decrease in accrued interest payable	332	
(Increase) in net pension liability	(16,480)	
(Decrease) in deferred outflows of resources related to pensions	(10,853)	
(Increase) in deferred inflows of resources related to pensions	(2,705)	
Decrease in total other post-employment benefits obligation	46,081	
(Decrease) in deferred outflows of resources related to OPEB	(7,563)	
(Increase) in deferred inflows of resources related to OPEB	<u>(22,429)</u>	
		<u>(13,617)</u>

<b>Change in net position of governmental activities</b>	<u><u>\$ 37,536</u></u>
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**CITY OF EATON RAPIDS  
 COMPONENT UNIT FUND  
 BALANCE SHEET - TIFA I DOWNTOWN DEVELOPMENT AUTHORITY  
 JUNE 30, 2022**

<b>ASSETS</b>	
Cash and investments	\$ 74,490
Accounts receivable	60
Due from other governmental units	<u>13,574</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 88,124</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 309
Due to other governmental units	1,429
Accrued wages	1,604
Accrued liabilities	<u>604</u>
<b>TOTAL LIABILITIES</b>	<u>3,946</u>
<b>FUND BALANCE</b>	
Unassigned	<u>84,178</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 88,124</u></u>

**CITY OF EATON RAPIDS  
 COMPONENT UNIT FUND  
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION - TIFA I DOWNTOWN DEVELOPMENT AUTHORITY  
 JUNE 30, 2022**

<b>Fund balance - governmental fund</b>	<b>\$ 84,178</b>
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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 therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 787,820	
Accumulated depreciation is	<u>(57,039)</u>	
Capital assets, net		730,781

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

Accrued interest payable	(1,341)	
Long-term debt	<u>(325,000)</u>	
		<u>(326,341)</u>

<b>Net position of governmental activities</b>	<b>\$ <u>488,618</u></b>
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**CITY OF EATON RAPIDS  
 COMPONENT UNIT FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - TIFA I DOWNTOWN DEVELOPMENT AUTHORITY  
 YEAR ENDED JUNE 30, 2022**

REVENUES	
Property taxes	\$ 86,664
Intergovernmental	25,334
Interest	88
Other	<u>48,770</u>
TOTAL REVENUES	<u>160,856</u>
EXPENDITURES	
Current	
Community and economic development	263,802
Debt service	
Principal	35,000
Interest	<u>16,632</u>
TOTAL EXPENDITURES	<u>315,434</u>
NET CHANGE IN FUND BALANCE	(154,578)
Fund balance, beginning of year	<u>238,756</u>
Fund balance, end of year	<u><u>\$ 84,178</u></u>

**CITY OF EATON RAPIDS  
COMPONENT UNIT FUND  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES –  
TIFA I DOWNTOWN DEVELOPMENT AUTHORITY  
YEAR ENDED JUNE 30, 2022**

<b>Net change in fund balance - governmental fund</b>	<b>\$ (154,578)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	(8,347)
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Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Debt principal retirement	35,000
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Some items reported in the statement of activities do not result in the use of current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:

Decrease in accrued interest payable	134
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<b>Change in net position of governmental activities</b>	<b><u><u>\$ (127,791)</u></u></b>
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

City Council  
City of Eaton Rapids, Michigan

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Eaton Rapids, Michigan's (the City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2022. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major the federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Siegfried Crandall P.C.*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year ended June 30, 2022

<u>Federal Agency/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass Thru Grantor's Number</u>	<u>Federal Expenditures</u>
United States Department of Housing and Urban Development Community Development Block Grants - Passed thru Michigan Michigan Economic Development Corporation	14.228	MSC 219030-CFP	\$ 1,124,617
United States Department of Treasury - Passed thru Michigan Department of Treasury American Rescue Plan Act Coronavirus Local Fiscal Recovery Fund	21.027	N/A	<u>17,497</u>
Total expenditures of federal awards			<u>\$ 1,142,114</u>

See notes to the Schedule of Expenditures of Federal Awards

**NOTE - 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Eaton Rapids (the City) under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE - 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3- INDIRECT COST RATE**

The City has not elected to not use the 10 percent *de minimus* cost rate as allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS*

City Council  
City of Eaton Rapids, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Eaton Rapids, 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, and have issued our report thereon dated February 21, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as items 2022-001 through 2022-003 that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Item 2022-003.

### **City's Response to Findings**

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Siegfried Crandall P.C.". The signature is written in a cursive, flowing style.

February 21, 2023



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended June 30, 2022

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Eaton Rapids (the City) were prepared in accordance with generally accepted accounting principles.
2. Three deficiencies in internal control disclosed during the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and are reported as material weaknesses.
3. One instance of noncompliance material to the financial statements of the City, which would be required to be disclosed in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. No deficiencies in internal control over the major federal award program were disclosed during the audit of the major federal award program.
5. The auditor's report on compliance for the major federal award programs for the City of Eaton Rapids expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
7. The program tested as a major program follows:

<u>Federal Agency</u>	<u>Program Name</u>	<u>Assistance Listing Number</u>
Department of Housing and Urban Development	Community Development Block Grants	14.228

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The City of Eaton Rapids was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT****2022-001 MATERIAL AUDIT ADJUSTMENTS (material weakness)**

*Criteria:* Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, including the proper recording of journal entries to assure the trial balances from which the financial statements are prepared are in conformity with U.S. generally accepted accounting principles.

*Condition:* We identified and proposed material audit adjustments that management reviewed and approved. Material adjustments were recorded to correct receivables and capital assets. These errors were not detected by the City's internal control over financial reporting.

*Cause:* The City's internal controls over financial reporting failed to identify these errors.

*Effect:* The City's accounting records were initially misstated by amounts material to the financial statements. Necessary adjustments were brought to the attention of management and were subsequently recorded in the City's general ledger.

*Recommendation:* We recommend that the City improve its internal controls over financial reporting to ensure that material audit adjustments are not necessary.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)**

*Management Response and Planned Corrective Action:* The City agrees that material audit adjustments must be avoided so that its external financial statements are accurate. The City is evaluating potential alternatives to resolve this issue including further professional development and employee training.

**2022-002 CASH ACCOUNT RECONCILIATIONS (material weakness)**

*Criteria:* Cash account reconciliations, including recording of potential adjustments, must be performed monthly, and the resulting balances must be reconciled to the respective general ledger cash accounts in a timely manner to assist in the safeguarding of assets.

*Condition:* Policies and procedures, related to cash account reconciliations, do not effectively ensure that reconciling items are identified and resolved, and that necessary adjustments are recorded, so that accurate reconciliations are completed in a timely manner.

*Cause:* Policies and procedures have not been implemented to promptly identify and compare all bank activity and general ledger transactions and to make necessary corrections in a timely manner.

*Effect:* Cash account reconciliations were not completed in a timely manner. When cash reconciliations are not performed in a timely manner, errors and irregularities might not be recognized and resolved, and management's ability to make informed decisions is diminished.

*Auditor's Recommendation:* We recommend that procedures be established to promptly identify all differences between bank account activity and general ledger transactions to ensure that all reconciling items, and any accounting errors, are addressed and corrected in a timely manner.

*Management Response and Planned Corrective Action:* Procedures are being implemented to properly identify all reconciling items and to make any necessary corrections in a timely manner.

**2022-003 DELINQUENT FINANCIAL STATEMENTS AND NO SINGLE AUDIT (material weakness and noncompliance)**

*Criteria:* Michigan Public Act 2 of 1968 requires that the annual financial report shall be filed with the State of Michigan within six months after the end of the fiscal year of the local unit. Uniform Guidance requires single audit reporting within nine months after the end of the fiscal year of the local unit.

*Condition:* For the year ended June 30, 2021, the audited financial statements were approximately four months delinquent to the State of Michigan. In addition, a single audit was required, but not filed.

*Cause:* The City was unable to reconcile some of its accounts prior to the six-month deadline for submission of the annual financial report to the State of Michigan. Errors in accounting for a federal grant made it appear that a single audit was not required.

*Effect:* Financial information must be timely and accurate to be beneficial to the users of the financial statements. A single audit was not performed for the year ended June 30, 2021, though it was required.

*Recommendation:* We recommend that the City ensure that the appropriate audits are performed and filed on a timely basis.

*Management Response and Planned Corrective Action:* The City will have year-end financial information available for audit on a timely basis so the City's audited financial statements may be filed as required.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*Year ended June 30, 2022*

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**C. SUMMARY OF PRIOR AUDIT FINDINGS**

Not applicable - no single audit was performed in the prior period