

City of Standish

Financial Statements

June 30, 2021



Table of Contents

<u>Section</u>		<u>Page</u>
1	Independent Auditors' Report	1 – 1
2	Management's Discussion and Analysis	2 – 1
3	Basic Financial Statements	
	Government-wide Financial Statements	
	Statement of Net Position	3 – 1
	Statement of Activities	3 – 2
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	3 – 3
	Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	3 – 4
	Statement of Revenues, Expenditures and Changes in Fund Balances	3 – 5
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	3 – 6
	Proprietary Funds	
	Statement of Net Position	3 – 7
	Statement of Revenues, Expenses and Changes in Fund Net Position	3 – 8
	Statement of Cash Flows	3 – 9
	Fiduciary Funds	
	Statement of Net Position	3 – 11
	Statement of Changes in Fiduciary Net Position	3 – 12
	Notes to the Financial Statements	3 – 13

<u>Section</u>	<u>Page</u>	
4	Required Supplementary Information	
	Budgetary Comparison Schedule	
	General Fund	4 – 1
	Major Street	4 – 3
	Schedule of Employer Contributions	4 – 4
	Schedule of Changes in Net Pension Liability and Related Ratios	4 – 5
5	Other Supplementary Information	
	Nonmajor Governmental Funds	
	Combining Balance Sheet	5 – 1
	Combining Statement of Revenue, Expenditures and Changes in Fund Balances	5 – 2
	Component Units	
	Combining Balance Sheet	5 – 3
	Reconciliation of Fund Balances of Component Units to Net Position of Government Activities	5 – 4
	Combining Statement of Revenue, Expenditures and Changes in Fund Balances	5 – 5
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Component Units to the Statement of Activities	5 – 6
	Budgetary Comparison Schedule	
	Downtown Development Authority	5 – 7
	Building Authority	5 – 8
	Schedule of Indebtedness	5 – 9
6	Other Reports	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6 – 1
	Schedule of Findings and Responses	6 – 3
	Corrective Action Plan	6 – 5



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Independent Auditors' Report

City Council and Management
City of Standish
Standish, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Standish, as of June 30, 2021, 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.

Required Supplementary Information

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

Other Supplementary Information

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

The other supplementary information, as identified in the table of contents, 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 other supplementary 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 by us. In our opinion, based on our audit, the procedures performed as described above, the other supplementary information, as identified in the table of contents, 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 December 9, 2021 on our consideration of the City of Standish internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The City of Standish'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 of Standish's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Saginaw, MI

December 9, 2021

City of Standish
Management's Discussion and Analysis
Year Ended June 30, 2021

Our discussion and analysis of the City of Standish's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2021.

Total net position related to the City's governmental activities is \$3,357,594. The unrestricted portions of net position are \$842,726.

Tax revenues, the City's largest revenue source, increased by approximately \$33,000 from 2020. This is representative of an increase in taxable value for those properties that were sold in the current year.

Using this Annual Report

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

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

City of Standish
Management's Discussion and Analysis
Year Ended June 30, 2021

The City of Standish as a Whole

The following table shows, in a condensed format, the statement of net position as of June 30, 2021 and 2020.

	Governmental Activities 2021	Governmental Activities 2020	Business-Type Activities 2021	Business-Type Activities 2020	Total 2021	Total 2020
Current assets	\$ 1,940,545	\$ 1,682,000	\$ 1,409,913	\$ 1,190,612	\$ 3,350,458	\$ 2,872,612
Capital assets	2,460,177	2,648,463	5,983,206	6,380,422	8,443,383	9,028,885
Deferred outflow of resources	43,835	43,249	93,155	91,908	136,990	135,157
Total assets and deferred outflows of resources	4,444,557	4,373,712	7,486,274	7,662,942	11,930,831	12,036,654
Current liabilities	18,086	18,234	23,782	27,111	41,868	45,345
Noncurrent liabilities	1,043,201	1,278,011	1,963,652	2,295,353	3,006,853	3,573,364
Deferred inflow of resources	25,676	-	54,563	-	80,239	-
Total liabilities and deferred inflows of resources	1,086,963	1,296,245	2,041,997	2,322,464	3,128,960	3,618,709
Total net position	\$ 3,357,594	\$ 3,077,467	\$ 5,444,277	\$ 5,340,478	\$ 8,801,871	\$ 8,417,945

The City's net position for governmental activities is \$3,357,594 and \$5,444,277 for business type activities; of these amounts \$842,726 (governmental) and \$595,471 (business-type) are unrestricted net position.

City of Standish
Management's Discussion and Analysis
Year Ended June 30, 2021

The following table shows, in a condensed format, the statement of activities as of June 30, 2021 and 2020:

	Governmental Activities 2021	Governmental Activities 2020	Business-Type Activities 2021	Business-Type Activities 2020	Total 2021	Total 2020
Revenue						
Program revenue:						
Charges for services	\$ 228,690	\$ 231,042	\$ 1,176,188	\$ 1,052,703	\$ 1,404,878	\$ 1,283,745
Operating grants and contributions	324,656	443,657	-	-	324,656	443,657
Capital grants and contributions	-	-	-	-	-	-
General revenue:						
Property taxes	751,138	719,127	49,390	47,920	800,528	767,047
State-shared revenue	188,815	172,155	-	-	188,815	172,155
Unrestricted investment earnings	482	14,124	237	6,249	719	20,373
Gain on sale of capital assets	4,161	-	-	-	4,161	-
Miscellaneous revenues	49,083	16,969	5,583	10,479	54,666	27,448
Total revenue	1,547,025	1,597,074	1,231,398	1,117,351	2,778,423	2,714,425
Program expenses						
General government	560,065	620,477	-	-	560,065	620,477
Public safety	37,798	37,028	-	-	37,798	37,028
Public works	620,525	686,136	-	-	620,525	686,136
Community and economic development	14,744	8,036	-	-	14,744	8,036
Recreation and culture	8,303	8,187	-	-	8,303	8,187
Interest on long-term debt	25,463	30,071	-	-	25,463	30,071
Water and sewer	-	-	1,127,599	1,390,763	1,127,599	1,390,763
Total program expenses	1,266,898	1,389,935	1,127,599	1,390,763	2,394,497	2,780,698
Change in net position	\$ 280,127	\$ 207,139	\$ 103,799	\$ (273,412)	\$ 383,926	\$ (66,273)

City of Standish
Management's Discussion and Analysis
Year Ended June 30, 2021

Governmental Activities

Governmental activities revenue decreased \$50,049 due to normal fluctuations as well as a small drop in grant revenue. The City actively pursues cost savings on a daily basis to mitigate these fluctuations. While the revenue did decrease, the City's overall change in net position improved by \$72,988.

Business Type Activities

The City of Standish's business-type activities consist of Water Fund and Sewer Fund. The water and sewer funds are combined major funds.

The City provides treated water to the city residents. Raw water is purchased from Saginaw-Midland Water Supply System. The City also provides water to approximately 50 Standish and Lincoln Township customers. The City has revenue bonds and a general obligation bond debt for recent system wide improvements.

The City also provides municipal sanitary sewer to its residents.

City of Standish Funds

The fund financial statements provide detailed information about the most significant funds, not the City of Standish as a whole. The City Council creates funds to help manage money for specific purposes as well as show accountability for certain activities. The City's major governmental fund is the General Fund.

a) **General Fund**

Functions relating to the general governmental activities of the City, which are financed by property tax levies, by distribution of State revenues, and from fees charged for various municipal activities and services are recorded in the General Fund. The City Council's approved budget for the 2021 fiscal year included the use of a balanced budget. The City actually increased fund balance by \$102,609 to \$1,033,401 at year end.

b) **Major Street Fund**

Functions relating to the major street activities of the City, which are financed by Act 51 funds are recorded in the Major Street Fund. The City Council's approved budget for the 2021 fiscal year included the use of a balanced budget. The City actually increased fund balance by \$114,097 to \$608,049 at year end.

City of Standish
Management's Discussion and Analysis
Year Ended June 30, 2021

General Fund Budgetary Highlights

Over the course of the year, the City Council and City administration monitor and amend the budget to account for unanticipated events during the year. The most significant change was continued increasing benefit costs. Prudent budgeting and continued monitoring of all expenditures reduced the effect of these issues.

Capital Asset and Debt Administration

At the end of 2021 the City of Standish has \$8,443,383 invested in a wide range of capital assets, including land, buildings, equipment, computer equipment, and water and sewer lines. The value of the infrastructure assets, net of depreciation contained in this report, is \$1,370,809 at the end of 2021.

Debt reported in these financial statements is related to the construction of the above-mentioned infrastructure assets and buildings and is reported as a liability on the statement of net position.

Economic Factors and Next Year's Budgets and Rates

The City needs to continue to monitor its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase by less than inflation, the mathematical result of this is that the total taxable value for the City will grow less than inflation, before considering new property additions. State revenue-sharing payments increased this past year but has decrease in the past two years due to State cutbacks and less sales tax receipts at the State level. These factors, coupled with recent decreases from historical norms in other revenues, including charges for services and interest on investments, continue to have a concern on the City's ability to balance its budget.

Despite these concerns, the City will continue to operate as efficiently as possible in the next fiscal year. The property tax increase this year is expected to be the highest increase in many years. There have been many property sales within the City at much higher sales prices that valuations which will also increase tax revenue.

The City is seeing interest in several city owned properties in the industrial park, which will provide a cash influx as well as the addition to the tax rolls.

City of Standish
Management's Discussion and Analysis
Year Ended June 30, 2021

Contacting the City of Standish's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City of Standish's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the City at (989) 846-9588.

City of Standish
Statement of Net Position
June 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,809,282	\$ 789,532	\$ 2,598,814	\$ 335,947
Receivables				
Customers	5,479	127,007	132,486	-
Due from other units of government	100,152	-	100,152	-
Prepaid items	25,632	3,281	28,913	-
Restricted assets				
Cash and cash equivalents	-	490,093	490,093	-
Capital assets not being depreciated	318,744	-	318,744	-
Capital assets being depreciated, net	2,141,433	5,983,206	8,124,639	519,537
Total assets	<u>4,400,722</u>	<u>7,393,119</u>	<u>11,793,841</u>	<u>855,484</u>
Deferred outflow of resources				
Deferred amount of pension expense related to net pension liability	43,835	93,155	136,990	-
Liabilities				
Accounts payable	4,941	10,018	14,959	-
Accrued and other liabilities	13,145	13,764	26,909	806
Noncurrent liabilities				
Due within one year	184,600	214,295	398,895	4,000
Due in more than one year	699,000	1,410,198	2,109,198	243,300
Net pension liability	159,601	339,159	498,760	-
Total liabilities	<u>1,061,287</u>	<u>1,987,434</u>	<u>3,048,721</u>	<u>248,106</u>
Deferred inflow of resources				
Deferred amount of pension expense related to net pension liability	25,676	54,563	80,239	-
Net position				
Net investment in capital assets	1,576,577	4,358,713	5,935,290	272,237
Restricted for				
Improvements	23,243	-	23,243	-
Rubbish collection	11,602	-	11,602	-
Streets	903,446	-	903,446	-
Economic development	-	-	-	330,233
Debt service	-	-	-	4,908
Bond requirements - project maintenance	-	490,093	490,093	-
Unrestricted	842,726	595,471	1,438,197	-
Total net position	<u>\$ 3,357,594</u>	<u>\$ 5,444,277</u>	<u>\$ 8,801,871</u>	<u>\$ 607,378</u>

See Accompanying Notes to the Financial Statements

City of Standish
Statement of Activities
For the Year Ended June 30, 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Functions/Programs								
Primary government								
Governmental activities								
General government	\$ 560,065	\$ 82,500	\$ 72,093	\$ -	\$ (405,472)	\$ -	\$ (405,472)	\$ -
Public safety	37,798	1,141	23,944	-	(12,713)	-	(12,713)	-
Public works	620,525	145,049	228,619	-	(246,857)	-	(246,857)	-
Community and economic development	14,744	-	-	-	(14,744)	-	(14,744)	-
Recreation and culture	8,303	-	-	-	(8,303)	-	(8,303)	-
Interest on long-term debt	25,463	-	-	-	(25,463)	-	(25,463)	-
Total governmental activities	<u>1,266,898</u>	<u>228,690</u>	<u>324,656</u>	<u>-</u>	<u>(713,552)</u>	<u>-</u>	<u>(713,552)</u>	<u>-</u>
Business-type activities								
Sewer	553,662	511,295	-	-	-	(42,367)	(42,367)	-
Water	573,937	664,893	-	-	-	90,956	90,956	-
Total business-type activities	<u>1,127,599</u>	<u>1,176,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,589</u>	<u>48,589</u>	<u>-</u>
Total primary government	<u>\$ 2,394,497</u>	<u>\$ 1,404,878</u>	<u>\$ 324,656</u>	<u>\$ -</u>	<u>(713,552)</u>	<u>48,589</u>	<u>(664,963)</u>	<u>-</u>
Component units								
Downtown Development Authority	\$ 33,992	\$ -	\$ -	\$ -				(33,992)
Building Authority	10,160	-	-	14,240				4,080
Total component units	<u>\$ 44,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,240</u>				<u>(29,912)</u>
General revenues								
Property taxes					751,138	49,390	800,528	18,221
State shared revenue					188,815	-	188,815	62,102
Unrestricted investment earnings					482	237	719	235
Gain on sale of capital assets					4,161	-	4,161	-
Miscellaneous					49,083	5,583	54,666	6,915
Total general revenues					<u>993,679</u>	<u>55,210</u>	<u>1,048,889</u>	<u>87,473</u>
Change in net position					280,127	103,799	383,926	57,561
Net position - beginning of year					<u>3,077,467</u>	<u>5,340,478</u>	<u>8,417,945</u>	<u>549,817</u>
Net position - end of year					<u>\$ 3,357,594</u>	<u>\$ 5,444,277</u>	<u>\$ 8,801,871</u>	<u>\$ 607,378</u>

See Accompanying Notes to the Financial Statements

City of Standish
Governmental Funds
Balance Sheet
June 30, 2021

	General	Special	Nonmajor Governmental Funds	Total Governmental Funds
		Revenue Funds		
		Major Street Fund		
Assets				
Cash and cash equivalents	\$ 932,145	\$ 581,030	\$ 296,107	\$ 1,809,282
Receivables				
Customers	-	-	5,479	5,479
Due from other units of government	62,531	27,506	10,115	100,152
Prepaid items	25,632	-	-	25,632
Total assets	<u>\$ 1,020,308</u>	<u>\$ 608,536</u>	<u>\$ 311,701</u>	<u>\$ 1,940,545</u>
Liabilities				
Accounts payable	\$ 553	\$ -	\$ 4,388	\$ 4,941
Accrued and other liabilities	6,844	487	314	7,645
Total liabilities	<u>7,397</u>	<u>487</u>	<u>4,702</u>	<u>12,586</u>
Fund balances				
Non-spendable				
Prepaid items	25,632	-	-	25,632
Restricted for				
Improvements	23,243	-	-	23,243
Rubbish collection	-	-	11,602	11,602
Streets	-	608,049	295,397	903,446
Unassigned	964,036	-	-	964,036
Total fund balances	<u>1,012,911</u>	<u>608,049</u>	<u>306,999</u>	<u>1,927,959</u>
Total liabilities and fund balances	<u>\$ 1,020,308</u>	<u>\$ 608,536</u>	<u>\$ 311,701</u>	<u>\$ 1,940,545</u>

See Accompanying Notes to the Financial Statements

City of Standish
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2021

Total fund balances for governmental funds	\$ 1,927,959
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,460,177
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(5,500)
Compensated absences	(13,600)
Deferred outflows (inflows) or resources	
Deferred outflows of resources resulting from net pension liability	43,835
Deferred inflows of resources from subsequent pension expense from measurement date	(25,676)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Bonds payable	(870,000)
Net pension liability	(159,601)
 Net position of governmental activities	 <u>\$ 3,357,594</u>

City of Standish
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General	Major Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 690,020	\$ -	\$ 38,989	\$ 729,009
Licenses and permits	3,333	-	-	3,333
State revenue sharing	227,295	-	-	227,295
Other state grants	96,037	167,982	61,778	325,797
Charges for services	83,550	-	52,966	136,516
Fines and forfeitures	-	-	369	369
Interest income	288	126	68	482
Rental income	70,980	-	-	70,980
Other revenue	48,969	7	107	49,083
Total revenues	<u>1,220,472</u>	<u>168,115</u>	<u>154,277</u>	<u>1,542,864</u>
Expenditures				
Current				
General government	526,973	-	-	526,973
Public safety	37,798	-	-	37,798
Public works	255,087	47,055	90,043	392,185
Community and economic development	14,744	-	-	14,744
Capital outlay	120,449	4,963	4,757	130,169
Debt service				
Principal retirement	161,000	-	-	161,000
Interest and fiscal charges	26,463	-	-	26,463
Total expenditures	<u>1,142,514</u>	<u>52,018</u>	<u>94,800</u>	<u>1,289,332</u>
Excess of revenues over expenditures	<u>77,958</u>	<u>116,097</u>	<u>59,477</u>	<u>253,532</u>
Other financing sources (uses)				
Transfers in	-	-	2,000	2,000
Transfers out	-	(2,000)	-	(2,000)
Sale of fixed assets	4,161	-	-	4,161
Total other financing sources	<u>4,161</u>	<u>(2,000)</u>	<u>2,000</u>	<u>4,161</u>
Net change in fund balance	82,119	114,097	61,477	257,693
Fund balance - beginning of year	<u>930,792</u>	<u>493,952</u>	<u>245,522</u>	<u>1,670,266</u>
Fund balance - end of year	<u>\$ 1,012,911</u>	<u>\$ 608,049</u>	<u>\$ 306,999</u>	<u>\$ 1,927,959</u>

See Accompanying Notes to the Financial Statements

City of Standish
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Net change in fund balances - Total governmental funds	\$	257,693
<p>Total change in net position reported for governmental activities in the statement of activities is different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Depreciation expense		(276,768)
Capital outlay		88,482
<p>Expenses are recorded when incurred in the statement of activities</p>		
Accrued interest		1,000
Compensated absences		6,100
<p>The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.</p>		
Net change in net pension liability		67,710
Net change in deferred outflow of resources related to net pension liability		586
Net change in deferred inflow of resources related to net pension liability		(25,676)
<p>Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Repayments of long-term debt		161,000
Change in net position of governmental activities	\$	280,127

See Accompanying Notes to the Financial Statements

**City of Standish
Proprietary Funds
Statement of Net Position
June 30, 2021**

	Enterprise Funds		
	Sewer	Water	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 310,862	\$ 478,670	\$ 789,532
Receivables			
Customers	53,103	73,904	127,007
Prepaid items	<u>1,856</u>	<u>1,425</u>	<u>3,281</u>
Total current assets	<u>365,821</u>	<u>553,999</u>	<u>919,820</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents			
USDA Bond Reserve	331,202	158,891	490,093
Capital assets being depreciated, net	<u>934,420</u>	<u>5,048,786</u>	<u>5,983,206</u>
Total noncurrent assets	<u>1,265,622</u>	<u>5,207,677</u>	<u>6,473,299</u>
Total assets	<u>1,631,443</u>	<u>5,761,676</u>	<u>7,393,119</u>
Deferred outflow of resources			
Deferred amount of pension expense related to net pension liability	<u>46,578</u>	<u>46,577</u>	<u>93,155</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 177	\$ 9,841	\$ 10,018
Accrued and other liabilities	7,288	6,476	13,764
Current portion of noncurrent liabilities	<u>113,375</u>	<u>100,920</u>	<u>214,295</u>
Total current liabilities	<u>120,840</u>	<u>117,237</u>	<u>238,077</u>
Noncurrent liabilities			
Long-term debt net of current portion	711,000	699,198	1,410,198
Net pension liability	<u>169,579</u>	<u>169,580</u>	<u>339,159</u>
Total noncurrent liabilities	<u>880,579</u>	<u>868,778</u>	<u>1,749,357</u>
Total liabilities	<u>1,001,419</u>	<u>986,015</u>	<u>1,987,434</u>
Deferred inflow of resources			
Deferred amount of pension expense related to net pension liability	<u>27,282</u>	<u>27,281</u>	<u>54,563</u>
Total liabilities and deferred inflows of resources	<u>1,028,701</u>	<u>1,013,296</u>	<u>2,041,997</u>
Net position			
Net investment in capital assets	110,045	4,248,668	4,358,713
Restricted for			
USDA Bond Reserves	331,202	158,891	490,093
Unrestricted	<u>208,073</u>	<u>387,398</u>	<u>595,471</u>
Total net position	<u>\$ 649,320</u>	<u>\$ 4,794,957</u>	<u>\$ 5,444,277</u>

See Accompanying Notes to the Financial Statements

City of Standish
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2021

	Enterprise Funds		
	Sewer	Water	Total
Operating revenue			
Customer fees	\$ 457,961	\$ 664,893	\$ 1,122,854
Other revenue	55,212	3,705	58,917
Total operating revenue	<u>513,173</u>	<u>668,598</u>	<u>1,181,771</u>
Operating expenses			
Personnel services	177,003	156,068	333,071
Supplies	19,514	51,877	71,391
Contractual services	16,142	14,211	30,353
Utilities	123,131	38,988	162,119
Repairs and maintenance	-	11,715	11,715
Other expenses	13,418	48,964	62,382
Depreciation	169,910	227,306	397,216
Total operating expenses	<u>519,118</u>	<u>549,129</u>	<u>1,068,247</u>
Operating income (loss)	<u>(5,945)</u>	<u>119,469</u>	<u>113,524</u>
Nonoperating revenue (expense)			
Property taxes	49,390	-	49,390
Interest income	130	107	237
Interest expense	(34,544)	(24,808)	(59,352)
Total nonoperating revenue (expenses)	<u>14,976</u>	<u>(24,701)</u>	<u>(9,725)</u>
Change in net position	9,031	94,768	103,799
Net position - beginning of year	<u>640,289</u>	<u>4,700,189</u>	<u>5,340,478</u>
Net position - end of year	<u>\$ 649,320</u>	<u>\$ 4,794,957</u>	<u>\$ 5,444,277</u>

See Accompanying Notes to the Financial Statements

City of Standish
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2021

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 503,852	\$ 656,055	\$ 1,159,907
Payments to suppliers	(232,033)	(212,080)	(444,113)
Payments to employees	<u>(177,003)</u>	<u>(156,068)</u>	<u>(333,071)</u>
Net cash provided by operating activities	<u>94,816</u>	<u>287,907</u>	<u>382,723</u>
Cash flows from noncapital financing activities			
Property taxes	<u>49,390</u>	<u>-</u>	<u>49,390</u>
Cash flows from capital and related financing activities			
Principal and interest paid on long-term debt	<u>(125,169)</u>	<u>(106,347)</u>	<u>(231,516)</u>
Cash flows from investing activities			
Interest received	<u>130</u>	<u>107</u>	<u>237</u>
Change in cash and cash equivalents	19,167	181,667	200,834
Cash and cash equivalents - beginning of year	<u>622,897</u>	<u>455,894</u>	<u>1,078,791</u>
Cash and cash equivalents - end of year	<u>\$ 642,064</u>	<u>\$ 637,561</u>	<u>\$ 1,279,625</u>

See Accompanying Notes to the Financial Statements

City of Standish
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2021

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
Reconciliation to the statement of net position			
Cash and cash equivalents	\$ 310,862	\$ 478,670	\$ 789,532
Restricted assets			
Cash and cash equivalents	331,202	158,891	490,093
Total cash and cash equivalents	\$ 642,064	\$ 637,561	\$ 1,279,625
Reconciliation of operating income (loss) to net cash provided by operations			
Operating income (loss)	\$ (5,945)	\$ 119,469	\$ 113,524
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation expense	169,910	227,306	397,216
Noncash portion of deferred outflows related to net pension liability	(71,942)	(71,941)	(143,883)
Changes in assets and liabilities			
Receivables (net)	(9,321)	(12,543)	(21,864)
Prepaid items	1,558	1,839	3,397
Deferred outflows	(624)	(623)	(1,247)
Deferred inflows	27,282	27,281	54,563
Accounts payable	(7,608)	4,882	(2,726)
Accrued and other liabilities	(8,494)	(7,763)	(16,257)
Net cash provided by operating activities	\$ 94,816	\$ 287,907	\$ 382,723

See Accompanying Notes to the Financial Statements

City of Standish
Fiduciary Funds
Statement of Net Position
June 30, 2021

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 18,471</u>
Liabilities	
Due to other units of government	<u>18,471</u>
Net Position	
Restricted for:	
Other governmental units	<u><u>\$ -</u></u>

City of Standish
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
June 30, 2021

	<u>Custodial Funds</u>
Additions	
Property tax collections for other governments	\$ 3,239,499
Deductions	
Payments of property tax to other governments	3,239,499
Change in net position	<u>-</u>
Net position - beginning of year	<u>-</u>
Net position - end of year	<u><u>\$ -</u></u>

See Accompanying Notes to the Financial Statements

City of Standish
Notes to the Financial Statements
June 30, 2021

Note 1 - Summary of Significant Accounting Policies

Reporting entity

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

Discretely Presented Component Units – The component unit column in the entity wide financial statements includes the financial data of the City's Downtown Development Authority and Building Authority. These units are reported in a separate column to emphasize that it is legally separate from the City. The members of the Governing Board of the Downtown Development Authority and Building Authority are appointed by the City. The budgets and expenditures of the Authorities must be approved by the City. The City also has the ability to significantly influence operations of the Authorities. The Authorities do not issue any other form of financial statements except as contained in the City of Standish annual financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Government 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures

City of Standish
Notes to the Financial Statements
June 30, 2021

generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The Major Street Fund is for major street project resources and expenditures.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

Additionally, the government reports the following:

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

Custodial Funds account for property tax and other deposits collected on behalf of other units and individuals.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 sewer and water funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, liabilities, and net position or equity

Cash and cash equivalents – The City's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

City of Standish
Notes to the Financial Statements
June 30, 2021

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

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

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2020 taxable valuation of the government totaled \$37,798,311 on which ad valorem taxes consisted of 16.7242 mills for operating purposes and 1.2500 mills for sewer debt service. This resulted in approximately \$632,100 for operating expenses and \$47,200 for sewer debt service exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the City follows the consumption method, and they therefore are capitalized as prepaid items in both entity-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or

estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and sewer lines	50 to 75 years
Vehicles	3 to 10 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

Deferred outflows of resources – The City reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. The City also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

Compensated absences – Full time regular employees will be credited with Paid Time Off hours each pay period earning no more than 288 hours per year. An employee can accrue up to 50 percent of his/her annual number of allocated hours for any given year; however, at no time shall the accrued balance exceed 432 hours except those who are unlimited based on negotiated contracts. All accumulated paid time off

City of Standish
Notes to the Financial Statements
June 30, 2021

is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for terminations as of year-end.

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the City's highest level of decision-making, its City Council. A fund balance commitment may be established, modified, or rescinded by a resolution of the City Council. The City does not have any committed fund balance at year end.

Assigned – amounts intended to be used for specific purposes, as determined by management. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature. The City does not have any assigned fund balance at year end.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the City is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Contingent Liabilities

Amounts received or receivable from grant 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 amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Adoption of New Accounting Standards

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension

City of Standish
Notes to the Financial Statements
June 30, 2021

plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Upcoming Accounting and Reporting Changes

The Governmental Accounting Standards Board has released the following Statements.

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset

reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service

City of Standish
Notes to the Financial Statements
June 30, 2021

concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

The City is evaluating the impact the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to June 30, the City Manager submits to the a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to May 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The City Manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the .

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

All expenditures were within appropriations during the fiscal year.

City of Standish
Notes to the Financial Statements
June 30, 2021

Note 3 - Deposits and Investments

At year end the government's deposits and investments were reported in the financial statements in the following categories:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Governmental activities	\$ 1,809,282	\$ -	\$ 1,809,282
Business-type activities	789,532	490,093	1,279,625
Total primary government	2,598,814	490,093	3,088,907
Fiduciary funds	18,471	-	18,471
Component unit	335,947	-	335,947
Total	\$ 2,953,232	\$ 490,093	\$ 3,443,325

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 3,088,707	\$ 18,471	\$ 335,947	\$ 3,443,125
Petty cash and cash on hand	200	-	-	200
Total	\$ 3,088,907	\$ 18,471	\$ 335,947	\$ 3,443,325

Interest rate risk – The government has a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States Banks; commercial paper rated

within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government's policy states that no more than 60% of the City's total investment portfolio be invested in a single security type and no more than 80% with a single financial institution.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year-end, \$3,009,745 of the City's bank balance of \$3,509,745 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Capital Assets

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 318,744	\$ -	\$ -	\$ 318,744
Capital assets being depreciated				
Infrastructure	4,551,328	-	-	4,551,328
Buildings, additions and improvements	1,461,948	-	-	1,461,948
Machinery and equipment	1,038,871	88,482	30,000	1,097,353
Total capital assets being depreciated	7,052,147	88,482	30,000	7,110,629
Less accumulated depreciation for				
Infrastructure	2,952,282	228,237	-	3,180,519
Buildings, additions and improvements	799,651	26,512	-	826,163
Machinery and equipment	970,495	22,019	30,000	962,514
Total accumulated depreciation	4,722,428	276,768	30,000	4,969,196
Net capital assets being depreciated	2,329,719	(188,286)	-	2,141,433
Governmental activities capital assets, net	\$ 2,648,463	\$ (188,286)	\$ -	\$ 2,460,177

City of Standish
Notes to the Financial Statements
June 30, 2021

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets being depreciated				
Water system	\$ 8,893,045	\$ -	\$ -	\$ 8,893,045
Sewer system	12,515,471	-	-	12,515,471
Total capital assets being depreciated	21,408,516	-	-	21,408,516
Less accumulated depreciation for				
Water system	3,616,953	227,306	-	3,844,259
Sewer system	11,411,141	169,910	-	11,581,051
Total accumulated depreciation	15,028,094	397,216	-	15,425,310
Net capital assets being depreciated	6,380,422	(397,216)	-	5,983,206
Business-type capital assets, net	\$ 6,380,422	\$ (397,216)	\$ -	\$ 5,983,206

Capital assets activity of the component unit for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit				
Capital assets being depreciated				
Buildings, additions and improvements	\$ 670,370	\$ -	\$ -	\$ 670,370
Less accumulated depreciation for				
Buildings, additions and improvements	134,074	16,759	-	150,833
Component unit capital assets, net	\$ 536,296	\$ (16,759)	\$ -	\$ 519,537

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities		
General government	\$	19,374
Public works		249,091
Recreation and culture		8,303
Total governmental activities		<u>276,768</u>
Business-type activities		
Sewer		169,910
Water		227,306
Total business-type activities		<u>397,216</u>
Total primary government	\$	<u>673,984</u>
Component unit activities		
Building authority		<u>16,759</u>

City of Standish
Notes to the Financial Statements
June 30, 2021

Note 5 - Long-Term Debt

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund, Sewer Fund and Water Fund.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds and notes payable									
General obligation bonds									
2018 Capital improvement bonds	\$ 1,187,000	10/1/29	2.35-3.40%	51,000 - 191,000	\$ 1,031,000	\$ -	\$ 161,000	\$ 870,000	\$ 171,000
Compensated absences					19,700	23,718	29,818	13,600	13,600
Total governmental activities					<u>\$ 1,050,700</u>	<u>\$ 23,718</u>	<u>\$ 190,818</u>	<u>\$ 883,600</u>	<u>\$ 184,600</u>
Business-type activities									
Bonds and notes payable									
General obligation bonds									
2012 Sewer refunding	\$ 855,000	11/1/24	2.45% - 2.80%	\$85,000 - \$90,000	\$ 340,000	\$ -	\$ 80,000	260,000	\$ 85,000
Limited tax general obligation bonds									
2018 Water supply bonds	967,000	11/1/29	2.25% - 3.20%	73,000 - 94,000	823,000	-	71,000	752,000	73,000
Revenue bonds									
1998 Sewer	400,000	11/1/38	4.75%	10,000 - 23,000	282,000	-	9,000	273,000	10,000
2000 Sewer	425,000	11/1/38	4.75%	10,000 - 22,000	293,000	-	10,000	283,000	10,000
Total business-type bonds					1,738,000	-	170,000	1,568,000	178,000
Notes from direct borrowing									
Installment purchase contract									
Meters and meter readers	175,000	11/1/22	3.34%	19,545 - 20,198	58,657	-	18,914	39,743	19,545
Compensated absences					15,654	12,466	11,370	16,750	16,750
Total business-type activities					<u>\$ 1,812,311</u>	<u>\$ 12,466</u>	<u>\$ 200,284</u>	<u>\$ 1,624,493</u>	<u>\$ 214,295</u>
Component units									
General obligation bonds									
Building authority bonds	\$ 285,000	6/1/51	4.00%	\$4,000 - \$16,000	\$ 251,300	\$ -	\$ 4,000	\$ 247,300	\$ 4,000

City of Standish
Notes to Financial Statements
June 30, 2021

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 171,000	\$ 24,072	\$ 178,000	\$ 54,567
2023	176,000	19,882	182,000	49,539
2024	191,000	15,394	190,000	44,161
2025	51,000	10,332	104,000	38,329
2026	51,000	8,904	108,000	34,838
2027-2031	230,000	19,794	501,000	116,278
2032-2036	-	-	178,000	56,338
2037-2040	-	-	127,000	12,161
	<u>\$ 870,000</u>	<u>\$ 98,378</u>	<u>\$ 1,568,000</u>	<u>\$ 406,210</u>

Year Ending June 30,	Component Unit	
	Principal	Interest
2022	\$ 4,000	\$ 10,000
2023	5,000	9,840
2024	5,000	9,640
2025	5,000	9,440
2026	5,000	9,240
2027-2031	29,000	42,960
2032-2036	36,000	36,600
2037-2041	43,000	28,880
2042-2046	52,000	19,560
2047-2051	63,300	8,280
	<u>\$ 247,300</u>	<u>\$ 184,440</u>

Installment Purchase Contract

Year Ending June 30,	Notes from direct borrowings	
	Business-type Activities Principal	Interest
2022	\$ 19,545	\$ 1,327
2023	20,198	675
	<u>\$ 39,743</u>	<u>\$ 2,002</u>

Note 6 - Risk Management

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

City of Standish
Notes to Financial Statements
June 30, 2021

Note 7 - Employee Retirement And Benefit Systems

Defined benefit pension plan

Plan description – The government participates in the Michigan Municipal Employees’ Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the government. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Benefits provided – Benefits provided include plans with multipliers of 2.5%. Vesting periods range from 6 to 10 years. Normal retirement age is 60 with early retirement at 55 with 15 years of service. Final average compensation is calculated based on 3 years. Member contributions are 0%.

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to, but not yet receiving benefits	<u>1</u>
	<u><u>13</u></u>

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions is a flat amount of \$22,832 each month. The pension plan is closed to new employees.
 Net pension liability – The employer’s net pension liability was

measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.50%; 2) Salary increases 3.00% in the long-term; 3) Investment rate of return of 7.35%, net of investment expense, 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 2.50%.

Mortality rates used were based on the 2014 Group Annuity Mortality Table of a 50% male and 50% female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of the most recent actuarial experience study.

City of Standish
Notes to Financial Statements
June 30, 2021

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 or arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Target	Target Allocation	Long-Term	Inflation	Long-Term
	Allocation	Gross Rate of Return	Expected Gross Rate of Return	Assumption	Expected Real Rate of Return
Global equity	60.00%	8.65%	5.19%	2.50%	3.70%
Global fixed income	20.00%	3.76%	0.75%	2.50%	0.30%
Private investments	20.00%	9.06%	1.81%	2.50%	1.25%
	<u>100.00%</u>		<u>7.75%</u>		<u>5.25%</u>

Discount rate – The discount rate used to measure the total pension liability is 7.60%. 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 plans 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 net pension liability and related ratios – The following shows the changes in the net pension liability and related ratios as of June 30:

	<u>2021</u>
Total Pension Liability	
Interest on the total pension liability	\$ 196,466
Experience differences	61,954
Change in actuarial assumptions	64,102
Benefit payments and refunds	<u>(227,412)</u>
Net change in total pension liability	95,110
Total pension liability - beginning	<u>2,698,782</u>
Total pension liability - ending (a)	<u>\$ 2,793,892</u>
Plan Fiduciary Net Position	
Employer contributions	\$ 272,484
Pension plan net investment income	265,708
Benefit payments and refunds	(227,412)
Pension plan administrative expense	<u>(4,077)</u>
Net change in plan fiduciary net position	306,703
Plan fiduciary net position - beginning	<u>1,988,429</u>
Plan fiduciary net position - ending (b)	<u>2,295,132</u>
Net pension liability (a-b)	<u>\$ 498,760</u>
Plan fiduciary net position as a percentage of total pension liability	82.15%
Covered employee payroll	\$ -
Net pension liability as a percentage of covered employee payroll	N/A

City of Standish
Notes to Financial Statements
June 30, 2021

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, as well as what the employer’s net pension liability would be using a discount rate that is 1% point lower (6.60%) or 1% higher (8.60%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	\$ 756,880	\$ 498,760	\$ 277,093

Pension expense and deferred outflows and inflows of resources – For the year ended June 30, 2021, the employer recognized pension expense of \$147,569. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total to Amortize
Net difference between projected and actual earning on plan investments	\$ -	\$ 80,239	\$ 80,239
Contributions subsequent to the measurement date*	136,990	-	-
Total	\$ 136,990	\$ 80,239	80,239

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2022.

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

	Year ended,	
	2022	\$ (16,221)
	2023	922
	2024	(42,334)
	2025	(22,606)
		\$ (80,239)

Defined Contribution Pension Plan

The City of Standish has a defined contribution pension plan for City employees hired after January 1, 2001 through MERS. The City of Standish is the only non-employee contributor to the pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contribution to the individual’s account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to a participant’s account, the returns earned on investments of those contributions, and forfeitures of other participants’ benefits that may be allocated to such participant’s account. As established by state statute, all full-time municipal employees of the City must participate in the pension plan from the date they are hired. The City is required to contribute an amount equal to 9% of the employee’s gross earnings. The City’s contributions for the year were \$36,455.

City of Standish
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
Revenues				
Taxes				
Property taxes	\$ 660,237	\$ 676,237	\$ 661,362	\$ (14,875)
Penalties and interest	30,753	30,753	28,658	(2,095)
Licenses and permits	3,500	3,500	3,333	(167)
State revenue sharing	115,188	200,000	227,295	27,295
State grants	-	73,594	96,037	22,443
Charges for services	84,000	84,000	83,550	(450)
Interest income	2,000	400	288	(112)
Rental income	111,200	73,200	70,980	(2,220)
Other revenue	71,000	74,987	48,969	(26,018)
Sale of fixed assets	1,000	4,161	4,161	-
Total revenues	<u>1,078,878</u>	<u>1,220,832</u>	<u>1,224,633</u>	<u>3,801</u>
Expenditures				
General government				
City Council	54,500	82,600	105,630	23,030
Manager	148,982	158,460	143,155	(15,305)
Clerk	170,537	138,368	140,030	1,662
Board of review	1,815	1,815	1,227	(588)
Treasurer	-	36,100	33,589	(2,511)
Assessor	48,700	31,200	25,178	(6,022)
Elections	7,250	7,250	4,399	(2,851)
Buildings and grounds	41,085	32,232	27,800	(4,432)
Cemetery	49,019	49,333	45,965	(3,368)
Total general government	<u>521,888</u>	<u>537,358</u>	<u>526,973</u>	<u>(10,385)</u>

City of Standish
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public safety				
Fire department	\$ 38,000	\$ 38,000	\$ 37,798	\$ (202)
Public works				
Department of public works	283,719	281,552	253,995	(27,557)
Storm service	7,153	3,153	785	(2,368)
Airport	400	400	307	(93)
Total public works	<u>291,272</u>	<u>285,105</u>	<u>255,087</u>	<u>(30,018)</u>
Community and economic development				
Planning	<u>20,200</u>	<u>14,944</u>	<u>14,744</u>	<u>(200)</u>
Capital outlay	<u>6,618</u>	<u>144,525</u>	<u>120,449</u>	<u>(24,076)</u>
Debt service				
Principal retirement	161,000	161,000	161,000	-
Interest and fiscal charges	<u>39,900</u>	<u>39,900</u>	<u>26,463</u>	<u>(13,437)</u>
Total debt service	<u>200,900</u>	<u>200,900</u>	<u>187,463</u>	<u>(13,437)</u>
Total expenditures	<u>1,078,878</u>	<u>1,220,832</u>	<u>1,142,514</u>	<u>(78,318)</u>
Excess of revenues over expenditures	-	-	82,119	82,119
Fund balance - beginning of year	<u>930,792</u>	<u>930,792</u>	<u>930,792</u>	<u>-</u>
Fund balance - end of year	<u>\$ 930,792</u>	<u>\$ 930,792</u>	<u>\$ 1,012,911</u>	<u>\$ 82,119</u>

City of Standish
Required Supplementary Information
Budgetary Comparison Schedule
Major Street
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Taxes				
State grants	\$ 147,100	\$ 147,100	\$ 167,982	\$ 20,882
Local contributions	2,500	-	-	-
Interest income	-	126	126	-
Other revenue	-	10	7	(3)
Total revenues	<u>149,600</u>	<u>147,236</u>	<u>168,115</u>	<u>20,879</u>
Expenditures				
Public works				
Department of public works	<u>143,600</u>	<u>139,636</u>	<u>47,055</u>	<u>(92,581)</u>
Capital outlay	<u>4,000</u>	<u>5,600</u>	<u>4,963</u>	<u>(637)</u>
Transfers out	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total expenditures	<u>149,600</u>	<u>147,236</u>	<u>54,018</u>	<u>(93,218)</u>
Excess of revenues over expenditures	-	-	114,097	114,097
Fund balance - beginning of year	<u>493,952</u>	<u>493,952</u>	<u>493,952</u>	<u>-</u>
Fund balance - end of year	<u>\$ 493,952</u>	<u>\$ 493,952</u>	<u>\$ 608,049</u>	<u>\$ 114,097</u>

City of Standish
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions
June 30, 2021

Schedule of Employer Contributions

Actuarial Valuation Date	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
12/31/2011	\$ 85,296	\$ 85,296	-	\$ 170,092	50.15%
12/31/2012	93,672	93,672	-	177,911	52.65%
12/31/2013	106,398	106,398	-	184,938	57.53%
12/31/2014	127,614	127,614	-	150,729	84.66%
12/31/2015	147,846	147,846	-	92,429	159.96%
12/31/2016	173,772	173,772	-	29,932	580.56%
12/31/2017	201,246	201,246	-	34,639	580.98%
12/31/2018	223,994	223,994	-	39,045	573.68%
12/31/2019	257,436	257,436	-	35,689	721.33%
12/31/2020	273,980	273,980	-	-	-

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 6 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry-age
Amortization method	Level-dollar closed
Remaining amortization period	18
Asset valuation method	10-year smoothed value of assets
Inflation	3-4%
Salary increases	4.5%
Investment rate of return	7.35%
Retirement age	60
Mortality	2014 Group annuity mortality table of 50% male and 50% female blend

City of Standish
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2021

Fiscal year ended June 30,	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ -	\$ 4,943	\$ 5,416	\$ 4,804	\$ 3,418	\$ 10,056	\$ 16,399
Interest on the total pension liability	196,466	202,414	203,982	205,100	202,439	192,549	189,194
Experience differences	61,954	(12,426)	(5,192)	-	-	-	-
Other changes	-	-	-	4,627	39,394	1,635	5,913
Change in actuarial assumptions	64,102	87,349	-	-	-	108,799	-
Benefit payments and refunds	(227,412)	(222,396)	(224,758)	(232,854)	(192,509)	(179,694)	(153,100)
Net change in total pension liability	95,110	59,884	(20,552)	(18,323)	52,742	133,345	58,406
Total pension liability - beginning	2,698,782	2,638,898	2,659,450	2,677,773	2,625,031	2,491,686	2,433,280
Total pension liability - ending (a)	<u>\$ 2,793,892</u>	<u>\$ 2,698,782</u>	<u>\$ 2,638,898</u>	<u>\$ 2,659,450</u>	<u>\$ 2,677,773</u>	<u>\$ 2,625,031</u>	<u>\$ 2,491,686</u>
Plan fiduciary net position							
Employer contributions	\$ 272,484	\$ 245,712	\$ 223,994	\$ 201,246	\$ 173,772	\$ 147,846	\$ 127,614
Pension plan net investment income (loss)	265,708	237,913	(71,852)	214,535	168,322	(23,111)	93,165
Benefit payments and refunds	(227,412)	(222,396)	(224,758)	(232,854)	(192,509)	(179,694)	(153,100)
Pension plan administrative expense	(4,077)	(4,101)	(3,524)	(3,396)	(3,324)	(3,366)	(3,424)
Net change in plan fiduciary net position	306,703	257,128	(76,140)	179,531	146,261	(58,325)	64,255
Plan fiduciary net position - beginning	1,988,429	1,988,429	1,988,429	1,627,910	1,481,649	1,539,974	1,475,719
Plan fiduciary net position - ending (b)	<u>2,295,132</u>	<u>2,245,557</u>	<u>1,912,289</u>	<u>1,807,441</u>	<u>1,627,910</u>	<u>1,481,649</u>	<u>1,539,974</u>
Net pension liability (a-b)	<u>\$ 498,760</u>	<u>\$ 453,225</u>	<u>\$ 726,609</u>	<u>\$ 852,009</u>	<u>\$ 1,049,863</u>	<u>\$ 1,143,382</u>	<u>\$ 951,712</u>
Plan fiduciary net position as a percentage of total pension liability	83.21%	73.68%	62.72%	67.96%	60.79%	56.44%	61.80%
Covered employee payroll	\$ -	\$ 35,689	\$ 39,045	\$ 34,639	\$ 29,932	\$ 92,429	\$ 150,729
Net pension liability as a percentage of covered employee payroll	N/A	1,990.40%	2,519.50%	2,459.68%	3,507.49%	1,237.04%	631.41%

Note: GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation.
Data will be added as information is available until 10 years of such data is available

City of Standish
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Local Street Fund	Municipal Street Fund	Rubbish Collection Fund	
Assets				
Cash and cash equivalents	\$ 43,593	\$ 242,003	\$ 10,511	\$ 296,107
Receivables				
Customers	-	-	5,479	5,479
Due from other units of government	10,115	-	-	10,115
Total assets	\$ 53,708	\$ 242,003	\$ 15,990	\$ 311,701
Liabilities				
Accounts payable	\$ -	\$ -	\$ 4,388	\$ 4,388
Accrued and other liabilities	314	-	-	314
Total liabilities	314	-	4,388	4,702
Fund balances				
Restricted for				
Rubbish collection	-	-	11,602	11,602
Streets	53,394	242,003	-	295,397
Total fund balances	53,394	242,003	11,602	306,999
Total liabilities and fund balances	\$ 53,708	\$ 242,003	\$ 15,990	\$ 311,701

City of Standish
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Local Street Fund	Municipal Street Fund	Rubbish Collection Fund	
Revenues				
Taxes	\$ -	\$ 38,989	\$ -	\$ 38,989
Other state grants	61,778	-	-	61,778
Charges for services	-	-	52,966	52,966
Fines and forfeitures	-	-	369	369
Interest income	-	68	-	68
Other revenue	107	-	-	107
	<u>61,885</u>	<u>39,057</u>	<u>53,335</u>	<u>154,277</u>
Total revenues				
Expenditures				
Current				
Public works	41,425	-	48,618	90,043
Capital outlay	4,757	-	-	4,757
	<u>46,182</u>	<u>-</u>	<u>48,618</u>	<u>94,800</u>
Total expenditures				
Excess of revenues over expenditures	15,703	39,057	4,717	59,477
Other financing sources				
Transfers in	2,000	-	-	2,000
Net change in fund balance	17,703	39,057	4,717	61,477
Fund balance - beginning of year	35,691	202,946	6,885	245,522
Fund balance - end of year	<u>\$ 53,394</u>	<u>\$ 242,003</u>	<u>\$ 11,602</u>	<u>\$ 306,999</u>

City of Standish
Other Supplementary Information
Combining Balance Sheet
Component Units
June 30, 2021

	<u>Downtown Development Authority</u>	<u>Building Authority</u>	<u>Total Component Units</u>
Assets			
Cash and cash equivalents	\$ 330,233	\$ 5,714	\$ 335,947
Fund balances			
Restricted for			
Economic development	\$ 330,233	\$ -	\$ 330,233
Debt service	<u>-</u>	<u>5,714</u>	<u>5,714</u>
Total fund balances	<u>\$ 330,233</u>	<u>\$ 5,714</u>	<u>\$ 335,947</u>

City of Standish
Component Units
Reconciliation of Fund Balances of Component Units
to Net Position of Governmental Activities
June 30, 2021

Total fund balances for component units	\$ 335,947
Total net position for component units in the statement of net position is different because:	
Capital assets used in component units are not financial resources and therefore are not reported in the funds.	519,537
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(806)
Long-term liabilities applicable to component units are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(247,300)</u>
Net position of component units	<u><u>\$ 607,378</u></u>

City of Standish
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Component Units
For the Year Ended June 30, 2021

	Downtown Development Authority	Building Authority	Total Component Units
Revenues			
Taxes	\$ 18,221	\$ -	\$ 18,221
Local contributions	-	14,240	14,240
Other revenue	<u>69,252</u>	<u>-</u>	<u>69,252</u>
Total revenues	<u>87,473</u>	<u>14,240</u>	<u>101,713</u>
Expenditures			
Current			
Community and economic development	17,307	-	17,307
Debt service			
Principal retirement	-	4,000	4,000
Interest and fiscal charges	<u>-</u>	<u>10,160</u>	<u>10,160</u>
Total expenditures	<u>17,307</u>	<u>14,160</u>	<u>31,467</u>
Excess of revenues over expenditures	70,166	80	70,246
Fund balance - beginning of year	<u>260,067</u>	<u>5,634</u>	<u>265,701</u>
Fund balance - end of year	<u><u>\$ 330,233</u></u>	<u><u>\$ 5,714</u></u>	<u><u>\$ 335,947</u></u>

City of Standish
Component Units
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Component Units to the Statement of Activities
For the Year Ended June 30, 2021

Net change in fund balances - Total component units	\$	70,246
<p>Total change in net position reported for component units in the statement of activities is different because:</p> <p>Component units report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Depreciation expense		(16,759)
<p>Expenses are recorded when incurred in the statement of activities</p>		
Accrued interest		74
<p>Bond proceeds are reported as financing sources in the component units and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the component units but reduces the liability in the statement of net position.</p>		
Repayments of long-term debt		<u>4,000</u>
Change in net position of component units	\$	<u>57,561</u>

City of Standish
Other Supplementary Information
Component Unit - Downtown Development Authority
Budgetary Comparison Schedule
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 15,800	\$ 18,221	\$ 18,221	\$ -
Other revenue	<u>60,000</u>	<u>69,252</u>	<u>69,252</u>	<u>-</u>
Total revenues	75,800	87,473	87,473	-
Expenditures				
Current				
Community and economic development	<u>75,800</u>	<u>87,473</u>	<u>17,307</u>	<u>(70,166)</u>
Excess of revenues over expenditures	-	-	70,166	70,166
Fund balance - beginning of year	<u>260,067</u>	<u>260,067</u>	<u>260,067</u>	<u>-</u>
Fund balance - end of year	<u>\$ 260,067</u>	<u>\$ 260,067</u>	<u>\$ 330,233</u>	<u>\$ 70,166</u>

City of Standish
Other Supplementary Information
Component Unit - Building Authority
Budgetary Comparison Schedule
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Local contributions	\$ 14,400	\$ 14,400	\$ 14,240	\$ (160)
Expenditures				
Debt service				
Principal retirement	4,000	4,000	4,000	-
Interest and fiscal charges	10,400	10,400	10,160	(240)
Total expenditures	14,400	14,400	14,160	(240)
Excess of revenues under expenditures	-	-	80	80
Fund balance - beginning of year	5,634	5,634	5,634	-
Fund balance - end of year	\$ 5,634	\$ 5,634	\$ 5,714	\$ 80

City of Standish
Other Supplementary Information
Schedule of Indebtedness
June 30, 2021

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Governmental Activities					
2018 Capital improvement bonds	2.35 - 3.40%				
		10/1/2021	\$ 171,000	\$ 24,072	\$ 195,072
		10/1/2022	176,000	19,882	195,882
		10/1/2023	191,000	15,394	206,394
		10/1/2024	51,000	10,332	61,332
		10/1/2025	51,000	8,904	59,904
		10/1/2026	51,000	7,424	58,424
		10/1/2027	51,000	5,870	56,870
		10/1/2028	63,000	4,290	67,290
		10/1/2029	65,000	2,210	67,210
			<u>870,000</u>	<u>98,378</u>	<u>968,378</u>
Total governmental activities			<u>\$ 870,000</u>	<u>\$ 98,378</u>	<u>\$ 968,378</u>

City of Standish
Other Supplementary Information
Schedule of Indebtedness
June 30, 2021

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Business-type Activities					
2018 Water system bonds	2.25% - 3.20%				
		11/1/2021	\$ 73,000	\$ 21,046	\$ 94,046
		11/1/2022	76,000	19,220	95,220
		11/1/2023	78,000	17,178	95,178
		11/1/2024	81,000	14,911	95,911
		11/1/2025	83,000	12,512	95,512
		11/1/2026	86,000	9,977	95,977
		11/1/2027	89,000	7,286	96,286
		11/1/2028	92,000	4,457	96,457
		11/1/2029	94,000	1,504	95,504
			<u>752,000</u>	<u>108,089</u>	<u>860,089</u>

City of Standish
Other Supplementary Information
Schedule of Indebtedness
June 30, 2021

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Business-type Activities					
1998 Sewer revenue bonds	4.75%				
		11/1/2021	\$ 10,000	\$ 12,968	\$ 22,968
		11/1/2022	10,000	12,493	22,493
		11/1/2023	11,000	12,018	23,018
		11/1/2024	11,000	11,495	22,495
		11/1/2025	12,000	10,973	22,973
		11/1/2026	12,000	10,403	22,403
		11/1/2027	13,000	9,833	22,833
		11/1/2028	14,000	9,215	23,215
		11/1/2029	14,000	8,550	22,550
		11/1/2030	15,000	7,885	22,885
		11/1/2031	16,000	7,173	23,173
		11/1/2032	16,000	6,413	22,413
		11/1/2033	18,000	5,653	23,653
		11/1/2034	18,000	4,798	22,798
		11/1/2035	19,000	3,943	22,943
		11/1/2036	20,000	3,040	23,040
		11/1/2037	21,000	2,090	23,090
		11/1/2038	23,000	1,093	24,093
			273,000	140,036	413,036

City of Standish
Other Supplementary Information
Schedule of Indebtedness
June 30, 2021

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
2000 Sewer revenue bonds	4.75%				
		11/1/2021	\$ 10,000	\$ 13,443	\$ 23,443
		11/1/2022	11,000	12,968	23,968
		11/1/2023	11,000	12,445	23,445
		11/1/2024	12,000	11,923	23,923
		11/1/2025	13,000	11,353	24,353
		11/1/2026	13,000	10,735	23,735
		11/1/2027	14,000	10,118	24,118
		11/1/2028	14,000	9,453	23,453
		11/1/2029	15,000	8,788	23,788
		11/1/2030	16,000	8,075	24,075
		11/1/2031	16,000	7,315	23,315
		11/1/2032	18,000	6,555	24,555
		11/1/2033	18,000	5,700	23,700
		11/1/2034	19,000	4,845	23,845
		11/1/2035	20,000	3,943	23,943
		11/1/2036	21,000	2,993	23,993
		11/1/2037	22,000	1,995	23,995
		11/1/2038	20,000	950	20,950
			<u>283,000</u>	<u>143,597</u>	<u>426,597</u>

City of Standish
Other Supplementary Information
Schedule of Indebtedness
June 30, 2021

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
2012 Refunding bond	2.45% - 2.80%				
		11/1/2021	\$ 85,000	\$ 7,110	\$ 92,110
		11/1/2022	85,000	4,858	89,858
		11/1/2023	90,000	2,520	92,520
			<u>260,000</u>	<u>14,488</u>	<u>274,488</u>
Total business-type activities - bonds			<u>1,568,000</u>	<u>406,210</u>	<u>1,974,210</u>
Note from direct borrowing	3.34%				
2012 Installment purchase contract		10/1/2021	19,545	1,327	20,872
		10/1/2022	20,198	675	20,873
			<u>39,743</u>	<u>2,002</u>	<u>41,745</u>
Total business-type activities			<u>\$ 1,607,743</u>	<u>\$ 408,212</u>	<u>\$ 2,015,955</u>

City of Standish
Other Supplementary Information
Schedule of Indebtedness
June 30, 2021

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Component Units					
Building authority bonds	4.00%				
		6/1/2022	\$ 4,000	\$ 10,000	\$ 14,000
		6/1/2023	5,000	9,840	14,840
		6/1/2024	5,000	9,640	14,640
		6/1/2025	5,000	9,440	14,440
		6/1/2026	5,000	9,240	14,240
		6/1/2027	5,000	9,040	14,040
		6/1/2028	6,000	8,840	14,840
		6/1/2029	6,000	8,600	14,600
		6/1/2030	6,000	8,360	14,360
		6/1/2031	6,000	8,120	14,120
		6/1/2032	7,000	7,880	14,880
		6/1/2033	7,000	7,600	14,600
		6/1/2034	7,000	7,320	14,320
		6/1/2035	7,000	7,040	14,040
		6/1/2036	8,000	6,760	14,760
		6/1/2037	8,000	6,440	14,440
		6/1/2038	8,000	6,120	14,120
		6/1/2039	9,000	5,800	14,800
		6/1/2040	9,000	5,440	14,440
		6/1/2041	9,000	5,080	14,080
		6/1/2042	10,000	4,720	14,720
		6/1/2043	10,000	4,320	14,320
		6/1/2044	10,000	3,920	13,920
		6/1/2045	11,000	3,520	14,520
		6/1/2046	11,000	3,080	14,080
		6/1/2047	12,000	2,640	14,640
		6/1/2048	12,000	2,160	14,160
		6/1/2049	13,000	1,680	14,680
		6/1/2050	10,300	1,160	11,460
		6/1/2051	16,000	640	16,640
Total component units			<u>\$ 247,300</u>	<u>\$ 184,440</u>	<u>\$ 431,740</u>



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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*

Independent Auditors' Report

City Council and Management
City of Standish
Standish, 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 Standish as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise The City of Standish's basic financial statements, and have issued our report thereon December 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Standish'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Standish's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Standish's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Standish'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 an instance 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 responses as item 2021-002.

Purpose of this Report

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

Yeo & Yeo, P.C.

Saginaw, MI
December 9, 2021

City of Standish
Schedule of Findings and Responses
June 30, 2021

Finding 2021-001

Material Weakness – Audit Adjustments

- Criteria:** Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.
- Condition:** A journal entry was required so the financial statements were not materially misstated. The journal entry was considered to be of material amount.
- Cause and Effect:** The City lacks procedures to properly record payroll related liabilities. This misstatement was the result of the lack of awareness and understanding as to the nature of this transaction, and therefore no procedures are in place to reconcile this area at year end.
- Recommendations:** We recommend that a process be established to thoroughly review all account balances on a regular basis. This process should be fashioned in a manner such that all material misstatements will be detected and can be corrected in a timely manner.
- Views of responsible officials:** Management is in agreement with the finding. See the corrective action plan on page 6 - 5.

Finding 2021-002

Material Weakness and Material Noncompliance – Completion and Review of Bank Reconciliations

- Criteria:** All cash accounts should be reconciled on a timely basis each month and reviewed by a second individual.
- Condition:** During our walkthrough of internal controls, we noted bank reconciliations are not always being completed in a timely manner. We also noted no signatures from the bank reconciliations showing they were reviewed by a second individual.
- Cause and Effect:** Monthly bank reconciliations are not being completed and reviewed in a timely manner. The lack of review of bank reconciliations increases the likelihood of misstatement due to error or fraud, as any incorrect or unusual reconciling items would not be noted and questioned at any point.
- Recommendations:** We recommend the City prepare the bank reconciliations within two weeks after each month end to ensure proper recording of transactions. We also recommend the reviewer signs each bank reconciliation documenting their approval.

City of Standish
Schedule of Findings and Responses
June 30, 2021

**Views of
responsible
officials:**

Management is in agreement with the finding. See the corrective action plan on page 6 - 5.



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December 9th, 2021

Yeo & Yeo, CPAs
5300 Bay Road, Suite 100
Saginaw, Michigan 48604

RE: Corrective Action Plan for Finding 2021-001 Material Weakness – Audit Adjustments Required

- Condition:** A journal entry was required so the financial statements were not materially misstated. The journal entry was considered to be of material amount.
- Cause and Effect:** The City lacks procedures to properly record payroll related liabilities. This misstatement was the result of the lack of awareness and understanding as to the nature of this transaction, and therefore no procedures are in place to reconcile this area at year end.
- Recommendation:** We recommend that the City reviews funds received after yearend closely to ensure that revenue is being recorded in the proper period and in accordance with Generally Accepted Accounting Principles. We recommend that debt schedules are updated and reviewed timely after yearend to ensure that balances appear to be reasonable and properly stated.
- Views of responsible officials:** Management is in agreement with the finding.
- Corrective Action:** The City underwent a complete turnover of office staff during the audit year. The new staff coupled with a scheduled migration from Fund Balance Accounting Software to BS&A Software created some issues that took some time to work through. The liability accounts have been being watched very closely and are clearing out the accrued balance properly now and there is nothing but a current amount in each liability account.

RE: Corrective Action Plan for Finding 2021-002 Material Weakness and Material Noncompliance – Completion and Review of Bank Reconciliations

- Condition:** During our walkthrough of internal controls, we noted bank reconciliations are not always being completed in a timely manner. We also noted no signatures from the bank reconciliations showing they were reviewed by a second individual.
- Cause and Effect:** Monthly bank reconciliations are not being completed and reviewed in a timely manner. The lack of review of bank reconciliations increases the likelihood of misstatement due to error or fraud, as any incorrect or unusual reconciling items would not be noted and questioned at any point.
- Recommendation:** We recommend the City prepare the bank reconciliations within two weeks after each month end to ensure proper recording of transactions. We also recommend the reviewer signs each bank reconciliation documenting their approval.
- Views of responsible officials:** Management is in agreement with the finding.
- Corrective Action:** The City underwent a complete turnover of office staff during the audit year. The new staff coupled with a scheduled migration from Fund Balance Accounting Software to BS&A Software created some issues that took some time to work through. The software migration incorrectly was posting some cash transactions to the wrong bank account, the new staff struggled for a few months correcting the posting so that the cash accounts are not out of balance. The accounts have been being reconciled and the office seems to have gotten the kinks out of the new accounting software. The treasurer's reconciliation is now being reviewed by the city manager.



Brad Mason, City Manager
City of Standish