

City of Bangor

Financial Statements

June 30, 2022



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Independent Auditors' Report

Honorable Mayor and City Council
 City of Bangor
 Bangor, Michigan

Report on the Audit of the Financial Statements

Adverse, Qualified, and Unmodified Opinions

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
General Fund	Unmodified
Major Streets Fund	Unmodified
Local Streets Fund	Unmodified
Sewer Fund	Unmodified
Water Fund	Unmodified
Aggregate Remaining Fund Information	Qualified

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the Basis for Adverse, Qualified and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City, as of June 30, 2022, or the changes in financial position for the year then ended in accordance with account principles generally accepted in the United States of America.

Qualified Opinion on Aggregate Remaining Fund Information

In our opinion, except for the matter described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the City, as

of June 30, 2022, and the 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.

Unmodified Opinions on Governmental Activities, Business-type Activities, and Each Major Fund

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

Basis for Adverse, Qualified, and Unmodified Opinions

The financial statements referred to above do not include financial data for the Bangor Housing Commission, one of the City's legally separate component units. Accounting principles generally accepted in the United States of America require financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the aggregate discretely presented component units would have been presented with the inclusion of the Bangor Housing Commission. In addition, the assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures of the aggregate remaining fund information would have included the Bangor Housing Commission.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, 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 September 11, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
September 11, 2023

**City of Bangor
Managements' Discussion and Analysis
Year Ended June 30, 2022**

This section of the City of Bangor's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2022.

Financial Highlights

- The City's total net position decreased by 368,522 (5%) as a result of this year's activities. Net position of the governmental activities decreased by \$231,886 and net position of the business-type activities decreased by \$136,636.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$1,088,578.

Overview of the Financial Statements

The City's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for other governmental funds and additional information regarding debt service requirements. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary funds statements offer short-term and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
 - Fiduciary funds statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

**City of Bangor
Managements' Discussion and Analysis
Year Ended June 30, 2022**

Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position (the difference between the City's assets and liabilities) is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors, such as changes in the City's property tax base and the condition of the City's capital assets.

The government-wide financial statements are divided into three categories:

- **Governmental Activities** - Most of the City's basic services are included here, such as police, fire, library, and general government. Property taxes and state grants finance most of these activities.
- **Business-Type Activities** - The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems are reported here.
- **Component Units** - The City includes two other entities in its report - the Downtown Development Authority and the Economic Development Corporation. Although legally separate, these "component units" are important because the City is financially accountable for them.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The City Council establishes other funds to control and manage money for particular purposes (like library maintenance) or to show that it is properly using certain taxes and other revenues (like property taxes collected for police, fire operations, senior services, and hospital authorities, and state grants collected for the street funds).

City of Bangor
Managements' Discussion and Analysis
Year Ended June 30, 2022

The City has three types of funds:

- **Governmental Funds** - Most of the City's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- **Proprietary Funds** - Services for which the City charges customers a fee is generally reported in the proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information.
 - The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
 - The City uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the City's other programs and activities. The City's internal service fund consists of a Motor Pool Equipment Fund.
- **Fiduciary Fund** - This fund is used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the City. The City is responsible for ensuring that the assets reported in the fiduciary fund are used for their intended purposes. The City's fiduciary balances are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position decreased by 5% between June 30, 2022 and 2021. In comparison, last year's net position decreased by 1% percent. Our analysis on the next two pages focuses on the net position (Table 1) and changes in net position (Table 2) for the City's governmental and business-type activities.

**City of Bangor
Managements' Discussion and Analysis
Year Ended June 30, 2022**

Table 1 - Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 2,568,694	\$ 1,913,570	\$ 841,595	\$ 866,872	\$ 3,410,289	\$ 2,780,442
Capital and pension assets	1,690,738	1,783,605	5,314,308	5,286,869	7,005,046	7,070,474
Total assets	4,259,432	3,697,175	6,155,903	6,153,741	10,415,335	9,850,916
Deferred outflows of resources	40,281	21,341	15,214	13,011	55,495	34,352
Current and other liabilities	871,629	134,494	55,748	43,469	927,377	177,963
Long-term liabilities	387,824	379,975	1,547,096	1,435,399	1,934,920	1,815,374
Total liabilities	1,259,453	514,469	1,602,844	1,478,868	2,862,297	1,993,337
Deferred inflows of resources	201,571	133,472	50,391	33,366	251,962	166,838
Net Position:						
Net investment in capital assets	1,134,685	1,191,201	4,692,530	4,558,998	5,827,215	5,750,199
Restricted	850,702	827,504	81,601	82,516	932,303	910,020
Unrestricted	853,302	1,051,870	(256,249)	13,004	597,053	1,064,874
Total net position	\$ 2,838,689	\$ 3,070,575	\$ 4,517,882	\$ 4,654,518	\$ 7,356,571	\$ 7,725,093

Total net position of the City's governmental activities decreased by \$231,886 (8%) to \$2,838,689. Unrestricted net position decreased by \$198,568, resulting in an unrestricted net position of \$853,302.

Total net position of our business-type activities decreased by \$136,636 (3%) to \$4,517,882. Unrestricted net position decreased by \$256,249, resulting in an unrestricted net position of (\$256,249).

**City of Bangor
Managements' Discussion and Analysis
Year Ended June 30, 2022**

Changes in Net Position

The City's total revenues for 2022 were \$3,480,877 (24% increase from prior year). The total cost of all programs and services was \$3,849,399 (41% increase from prior year), with no new programs added this year.

Charges for services represented 42% and 43% in 2022 and 2021, respectively; property taxes represented 30% and 32% percent in 2021 and 2020, respectively; and state shared revenue were 25% and 20% in 2022 and 2021, of total revenues.

The provisions of public safety and public works represented 46% and 40% in 2022 and 2021, respectively, and water and sewer utility services represented 36% (40% in 2021) of all costs in 2022. General government services represented 16% of all costs (16% in 2021) in 2022.

Table 2 - Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Program revenues:						
Charges for services	\$ 435,723	\$ 364,871	\$ 1,024,903	\$ 830,778	\$ 1,460,626	\$ 1,195,649
Operating grants and contributions	220,502	136,944	4,513	2,113	225,015	139,057
General revenues:						
Property taxes	878,533	854,107	-	-	878,533	854,107
State-shared revenue	687,769	554,632	-	-	687,769	554,632
Interest revenue	7,263	6,946	-	-	7,263	6,946
Miscellaneous	9,981	50,517	211,690	10,220	221,671	60,737
Total revenues	<u>2,239,771</u>	<u>1,968,017</u>	<u>1,241,106</u>	<u>843,111</u>	<u>3,480,877</u>	<u>2,811,128</u>
Expenses:						
General government	601,825	449,747	-	-	601,825	449,747
Public safety	633,322	625,253	-	-	633,322	625,253
Public works	1,130,881	456,901	-	-	1,130,881	456,901
Health and welfare	16,670	12,984	-	-	16,670	12,984
Community and economic development	-	-	-	-	-	-
Recreation and culture	84,608	96,149	-	-	84,608	96,149
Interest and fiscal charges on long-term debt	4,351	6,369	-	-	4,351	6,369
Sewer	-	-	837,244	600,459	837,244	600,459
Water	-	-	540,498	488,321	540,498	488,321
Total expenses	<u>2,471,657</u>	<u>1,647,403</u>	<u>1,377,742</u>	<u>1,088,780</u>	<u>3,849,399</u>	<u>2,736,183</u>
Change in net position	\$ <u>(231,886)</u>	\$ <u>320,614</u>	\$ <u>(136,636)</u>	\$ <u>(245,669)</u>	\$ <u>(368,522)</u>	\$ <u>74,945</u>

**City of Bangor
Managements' Discussion and Analysis
Year Ended June 30, 2022**

Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

In 2022, revenues exceeded expenses. Total revenues increased \$271,754 (14%), while total expenses increased \$824,254 (50%). The revenues are mostly dependent on the taxable value of the unit. Revenue sharing has been consistent. Every avenue to decrease expenses was deliberately examined and implemented.

Table 3 shows the costs of the City's three largest programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the City's taxpayers by each of these functions.

Table 3 - Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
General government	\$ 601,825	\$ 449,747	\$ (356,068)	\$ (190,126)
Public safety	633,322	625,253	(577,332)	(557,083)
Public works	1,130,881	456,901	(798,821)	(306,223)
Other	105,629	115,502	(83,211)	(92,156)
	\$ 2,471,657	\$ 1,647,403	\$ (1,815,432)	\$ (1,145,588)

Business-Type Activities

In 2021, total revenues increased \$397,995 (47%), while expenses increased by \$288,962 (27%). Gains in charges for services revenue should continue to increase as more of the old water meters have been replaced by new remote-read meters. Quite a few of the meters in the City were installed many years prior to 2000. As meters age, they slow down and don't accurately measure the flow of water, thereby losing money for the City.

**City of Bangor
Managements' Discussion and Analysis
Year Ended June 30, 2022**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

As of June 30, 2022, the City's governmental funds (as presented on page 3 - 4) reported a combined fund balance of \$1,409,103 of which \$48,468 is non spendable and \$330,092 is restricted as to use, leaving an unassigned fund balance of \$1,030,543.

The General Fund is the primary operating fund of the City. At the end of the fiscal year, its fund balance was \$1,088,578, an increase of \$184,060, as revenues of \$1,459,214 exceeded expenditures of \$1,275,154.

Enterprise Funds

As of June 30, 2022, the City's enterprise funds (as presented starting on page 3 - 9) reported combined net position of \$4,578,964, a decrease of \$79,888.

The Sewer Fund accounts for operation and maintenance of the sewage collection system. At the end of the fiscal year, its net position was \$3,895,780, including unrestricted net deficit of (\$123,372). The fund reported a net decrease in net position of (120,516).

The Water Fund accounts for operation and maintenance of the water distribution system. At the end of the fiscal year, its net position was \$683,184, including unrestricted net position of \$9,806. The fund reported a net increase in net position of \$40,628.

General Fund Budgetary Highlights

The City amended the budget of the General Fund in 2022 to reflect anticipated changes in revenues and expenditure levels. Actual total revenues (\$1,459,214) were more than the total budget amount by \$296,964 (26%); and actual total expenditures (\$1,275,154) were greater than the total budget by \$150,964. Revenues were more than budgeted due larger than expected property taxes and increased charges for services.

**City of Bangor
Managements' Discussion and Analysis
Year Ended June 30, 2022**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's carrying value of its capital assets for its governmental and business-type activities as of June 30, 2022, amounted to \$6,395,436 (net of accumulated depreciation). This investment includes a broad range of assets, including land, equipment, buildings, roads, and sewer and water facilities, as shown in Table 4.

Table 4 - Capital Assets at Year End

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 62,412	\$ 62,412	\$ 60,927	\$ 60,927	\$ 123,339	\$ 123,339
Land improvements	160,900	183,474	292,695	302,557	453,595	486,031
Infrastructure	483,873	563,622	-	-	483,873	563,622
Buildings, additions and improvements	342,889	355,242	-	-	342,889	355,242
Machinery and equipment	49,382	70,032	6,943	13,149	56,325	83,181
Vehicles	103,595	106,638	-	-	103,595	106,638
Water system	-	-	636,140	616,054	636,140	616,054
Sewer system	-	-	4,195,680	4,183,634	4,195,680	4,183,634
Total	\$ 1,203,051	\$ 1,341,420	\$ 5,192,385	\$ 5,176,321	\$ 6,395,436	\$ 6,517,741

**City of Bangor
Managements' Discussion and Analysis
Year Ended June 30, 2022**

Debt

At the end of the fiscal year, the City had total long-term bonds and notes outstanding in the amount of \$573,366, which represents a decrease of \$201,853 (26%). All debt is backed by the full faith and credit of the City.

Table 5 - Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ -	\$ -	\$ 505,000	\$ 625,000	\$ 505,000	\$ 625,000
Notes from direct borrowings	68,366	150,219	-	-	68,366	150,219
Total	\$ 68,366	\$ 150,219	\$ 505,000	\$ 625,000	\$ 573,366	\$ 775,219

Economic Factors and Next Year's Budgets and Rates

The City's General Fund budget for fiscal year 2022-2023 projects expenditures 35% higher than 2021-2022 actual fiscal year expenditures. This amounts to an increase of \$441,880.75. Revenues are projected 18% lower than the 2021-2022 ending revenue figure. As always, the City's intent is to build its fund balance so there is an adequate "rainy day fund" for unforeseen occurrences.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Tommy Simpson, City Manager
City of Bangor
257 West Monroe Street
Bangor, MI 49013
Phone: (269) 427-5831

City of Bangor
Statement of Net Position
June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,948,570	\$ 777,786	\$ 2,726,356	\$ 201,248
Investments	599	1,290	1,889	-
Receivables				
Taxes	100	-	100	-
Customers	28,542	145,068	173,610	-
Due from other units of government	415,233	12,608	427,841	-
Internal balances	115,554	(115,554)	-	-
Prepaid items	60,096	20,397	80,493	-
Net pension asset	487,687	121,923	609,610	-
Capital assets not being depreciated	62,412	60,927	123,339	128,259
Capital assets, net of accumulated depreciation	<u>1,140,639</u>	<u>5,131,458</u>	<u>6,272,097</u>	<u>560,824</u>
Total assets	<u>4,259,432</u>	<u>6,155,903</u>	<u>10,415,335</u>	<u>890,331</u>
Deferred Outflows of Resources				
Deferred amount relating to bond refunding	-	5,145	5,145	-
Deferred amount relating to net pension asset	<u>40,281</u>	<u>10,069</u>	<u>50,350</u>	<u>-</u>
Total deferred outflows of resources	<u>40,281</u>	<u>15,214</u>	<u>55,495</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

City of Bangor
Statement of Net Position
June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 471,220	\$ 23,730	\$ 494,950	\$ -
Checks written against future deposits	114,340	-	114,340	-
Accrued and other liabilities	18,399	6,329	24,728	4,011
Customer deposits	-	25,689	25,689	-
Unearned revenue	267,670	-	267,670	-
Noncurrent liabilities				
Debt due within one year	40,088	125,000	165,088	55,620
Debt due in more than one year	56,923	380,000	436,923	170,464
Total OPEB liability	290,813	1,042,096	1,332,909	-
Total liabilities	<u>1,259,453</u>	<u>1,602,844</u>	<u>2,862,297</u>	<u>307,561</u>
Deferred Inflows of Resources				
Deferred amount relating to net pension asset	<u>201,571</u>	<u>50,391</u>	<u>251,962</u>	<u>-</u>
Net Position				
Net investment in capital assets	1,134,685	4,692,530	5,827,215	462,999
Restricted for				
Roads	373,042	-	373,042	-
Public safety	70,590	-	70,590	-
Senior services	8,214	-	8,214	-
Library maintenance	72,459	-	72,459	-
Net pension asset	326,397	81,601	407,998	-
Unrestricted (deficit)	<u>853,302</u>	<u>(256,249)</u>	<u>597,053</u>	<u>119,771</u>
Total net position	<u>\$ 2,838,689</u>	<u>\$ 4,517,882</u>	<u>\$ 7,356,571</u>	<u>\$ 582,770</u>

See Accompanying Notes to the Financial Statements

City of Bangor
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 601,825	\$ 243,311	\$ 2,446	\$ -	\$ (356,068)	\$ -	\$ (356,068)	\$ -
Public safety	633,322	48,713	7,277	-	(577,332)	-	(577,332)	-
Public works	1,130,881	143,699	188,361	-	(798,821)	-	(798,821)	-
Health and welfare	16,670	-	-	-	(16,670)	-	(16,670)	-
Community and economic development	-	-	18,343	-	18,343	-	18,343	-
Recreation and culture	84,608	-	4,075	-	(80,533)	-	(80,533)	-
Interest and fiscal charges on long-term debt	4,351	-	-	-	(4,351)	-	(4,351)	-
Total governmental activities	<u>2,471,657</u>	<u>435,723</u>	<u>220,502</u>	<u>-</u>	<u>(1,815,432)</u>	<u>-</u>	<u>(1,815,432)</u>	<u>-</u>
Business-type activities								
Sewer	837,244	476,805	4,513	-	-	(355,926)	(355,926)	-
Water	540,498	548,098	-	-	-	7,600	7,600	-
Total business-type activities	<u>1,377,742</u>	<u>1,024,903</u>	<u>4,513</u>	<u>-</u>	<u>-</u>	<u>(348,326)</u>	<u>(348,326)</u>	<u>-</u>
Total primary government	<u>\$ 3,849,399</u>	<u>\$ 1,460,626</u>	<u>\$ 225,015</u>	<u>\$ -</u>	<u>(1,815,432)</u>	<u>(348,326)</u>	<u>(2,163,758)</u>	<u>-</u>
Component units								
Downtown Development Authority	\$ 137,811	\$ -	\$ -	\$ -				(137,811)
Economic Development Corporation	46,150	-	-	-				(46,150)
Total component units	<u>\$ 183,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(183,961)</u>
General revenues								
Property taxes					878,533	-	878,533	177,634
State-shared revenue					687,769	-	687,769	-
Interest revenue					7,263	-	7,263	-
Gain on sale of capital assets					-	-	-	2,000
Miscellaneous					9,981	211,690	221,671	85
Total general revenues					<u>1,583,546</u>	<u>211,690</u>	<u>1,795,236</u>	<u>179,719</u>
Change in net position					(231,886)	(136,636)	(368,522)	(4,242)
Net position - beginning of year					<u>3,070,575</u>	<u>4,654,518</u>	<u>7,725,093</u>	<u>587,012</u>
Net position - end of year					<u>\$ 2,838,689</u>	<u>\$ 4,517,882</u>	<u>\$ 7,356,571</u>	<u>\$ 582,770</u>

See Accompanying Notes to the Financial Statements

City of Bangor
Governmental Funds
Balance Sheet
June 30, 2022

	General	Special Revenue Funds		Nonmajor Governmental Funds	Total Governmental Funds
		Major Streets	Local Streets		
Assets					
Cash and cash equivalents	\$ 1,177,016	\$ 451,654	\$ 218,460	\$ 101,440	\$ 1,948,570
Investments	599	-	-	-	599
Receivables					
Taxes	-	-	100	-	100
Customers	28,411	-	-	131	28,542
Due from other units of government	193,314	137,387	70,076	14,456	415,233
Due from other funds	3	15,045	9,113	36,226	60,387
Prepaid items	42,616	2,926	2,926	-	48,468
Total assets	<u>\$ 1,441,959</u>	<u>\$ 607,012</u>	<u>\$ 300,675</u>	<u>\$ 152,253</u>	<u>\$ 2,501,899</u>
Liabilities					
Accounts payable	\$ 37,639	\$ 422,493	\$ 1,881	\$ 990	\$ 463,003
Accrued and other liabilities	15,386	634	634	-	16,654
Due to other funds	32,686	58,991	65,431	-	157,108
Unearned revenue	267,670	-	-	-	267,670
Total liabilities	<u>353,381</u>	<u>482,118</u>	<u>67,946</u>	<u>990</u>	<u>904,435</u>
Deferred Inflows of Resources					
Unavailable revenue	-	137,387	50,974	-	188,361
Fund Balances					
Non-spendable					
Prepaid items	42,616	2,926	2,926	-	48,468
Restricted for					
Roads	-	-	178,829	-	178,829
Public safety	-	-	-	70,590	70,590
Senior services	-	-	-	8,214	8,214
Library maintenance	-	-	-	72,459	72,459
Unassigned (deficit)	1,045,962	(15,419)	-	-	1,030,543
Total fund balances (deficits)	<u>1,088,578</u>	<u>(12,493)</u>	<u>181,755</u>	<u>151,263</u>	<u>1,409,103</u>
Total liabilities and fund balances	<u>\$ 1,441,959</u>	<u>\$ 607,012</u>	<u>\$ 300,675</u>	<u>\$ 152,253</u>	<u>\$ 2,501,899</u>

See Accompanying Notes to the Financial Statements

City of Bangor
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2022

Total fund balances for governmental funds	\$ 1,409,103
Total net position for governmental activities in the statement of net position is different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	1,020,676
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	62,412
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	188,361
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(288)
Compensated absences	(28,645)
Net pension asset	487,687
Total OPEB liability	(272,176)
Deferred outflows (inflows) of resources.	
Deferred inflows of resources resulting from net pension asset	(201,571)
Deferred outflows of resources resulting from net pension asset	40,281
Internal service funds are included as part of governmental activities.	<u>132,849</u>
Net position of governmental activities	<u>\$ 2,838,689</u>

See Accompanying Notes to the Financial Statements

City of Bangor
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	General	Special Revenue Funds		Nonmajor Governmental Funds	Total Governmental Funds
		Major Streets	Local Streets		
Revenues					
Taxes	\$ 779,394	\$ -	\$ 55,507	\$ 156,539	\$ 991,440
Licenses and permits	96,190	-	-	-	96,190
State-shared revenue	311,619	91,336	35,009	-	437,964
Other state grants	20,789	249,805	-	-	270,594
Local contributions	7,352	-	-	4,000	11,352
Charges for services	181,742	-	-	-	181,742
Fines and forfeitures	24,357	-	-	-	24,357
Interest income	7,263	-	-	-	7,263
Rental income	19,942	-	-	-	19,942
Other revenue	10,566	-	-	-	10,566
Total revenues	<u>1,459,214</u>	<u>341,141</u>	<u>90,516</u>	<u>160,539</u>	<u>2,051,410</u>

See Accompanying Notes to the Financial Statements

City of Bangor
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	General	Special Revenue Funds		Nonmajor Governmental Funds	Total Governmental Funds
		Major Streets	Local Streets		
Expenditures					
Current					
General government	\$ 509,384	\$ -	\$ -	\$ -	\$ 509,384
Public safety	512,712	-	-	109,158	621,870
Public works	184,660	630,349	214,601	-	1,029,610
Health and welfare	-	-	-	16,519	16,519
Recreation and culture	54,686	-	-	2,533	57,219
Capital outlay	13,712	-	-	-	13,712
Debt service					
Principal retirement	-	7,198	7,197	-	14,395
Interest and fiscal charges	-	72	72	-	144
Total expenditures	<u>1,275,154</u>	<u>637,619</u>	<u>221,870</u>	<u>128,210</u>	<u>2,262,853</u>
Excess (deficiency) of revenues over expenditures	184,060	(296,478)	(131,354)	32,329	(211,443)
Fund balances - beginning of year	<u>904,518</u>	<u>283,985</u>	<u>313,109</u>	<u>118,934</u>	<u>1,620,546</u>
Fund balances (deficits) - end of year	<u>\$ 1,088,578</u>	<u>\$ (12,493)</u>	<u>\$ 181,755</u>	<u>\$ 151,263</u>	<u>\$ 1,409,103</u>

See Accompanying Notes to the Financial Statements

City of Bangor
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, 2022

Net change in fund balances - total governmental funds \$ (211,443)

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

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.

Depreciation expense	(130,400)
Capital outlay	13,712

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

State-shared revenue	188,361
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Expenses are recorded when incurred in the statement of activities.

Accrued interest	(164)
Compensated absences	(20,493)

The statement of net position reports the net pension asset and deferred outflows of resources and deferred inflows related to the net pension asset and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.

Net change in net pension asset	45,502
Net change in the deferred inflows of resources related to the net pension asset	(68,099)
Net change in the deferred outflows of resources related to the net pension asset	18,940

The statement of net position reports the total OPEB liability and deferred outflows of resources and deferred inflows related to the total OPEB liability and pension expense. However, the amount recorded in the governmental funds equals actual OPEB contributions.

Net change in total OPEB liability	(66,200)
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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.

Repayments of long-term debt	14,395
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Internal service funds are also included as governmental activities	(15,997)
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Change in net position of governmental activities **\$ (231,886)**

See Accompanying Notes to the Financial Statements

City of Bangor
Proprietary Funds
Statement of Net Position
June 30, 2022

	Enterprise Funds			Internal Service Fund
	Sewer	Water	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 340,250	\$ 437,536	\$ 777,786	\$ -
Investments	654	636	1,290	-
Receivables				
Customers	51,931	93,137	145,068	-
Due from other units of government	6,304	6,304	12,608	-
Due from other funds	4,764	4,764	9,528	187,419
Prepaid items	8,942	11,455	20,397	11,628
Total current assets	<u>412,845</u>	<u>553,832</u>	<u>966,677</u>	<u>199,047</u>
Noncurrent assets				
Net pension asset	60,962	60,961	121,923	-
Capital assets, net of accumulated depreciation	4,493,182	638,276	5,131,458	119,963
Capital assets not being depreciated	25,825	35,102	60,927	-
Total noncurrent assets	<u>4,579,969</u>	<u>734,339</u>	<u>5,314,308</u>	<u>119,963</u>
 Total assets	 <u>4,992,814</u>	 <u>1,288,171</u>	 <u>6,280,985</u>	 <u>319,010</u>
Deferred Outflows of Resources				
Deferred amount relating to bond refunding	5,145	-	5,145	-
Deferred amount relating to net pension asset	5,034	5,035	10,069	-
Total deferred outflows of resources	<u>10,179</u>	<u>5,035</u>	<u>15,214</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

City of Bangor
Proprietary Funds
Statement of Net Position
June 30, 2022

	Enterprise Funds			Internal Service Fund
	Sewer	Water	Total	
Liabilities				
Current liabilities				
Accounts payable	\$ 12,338	\$ 11,392	\$ 23,730	\$ 8,217
Checks written against future deposits	-	-	-	114,340
Accrued and other liabilities	4,354	1,975	6,329	1,457
Due to other funds	32,000	32,000	64,000	36,226
Customer deposits	-	25,689	25,689	-
Current portion of noncurrent liabilities	125,000	-	125,000	11,443
Total current liabilities	<u>173,692</u>	<u>71,056</u>	<u>244,748</u>	<u>171,683</u>
Noncurrent liabilities				
Total OPEB liability	528,326	513,770	1,042,096	18,637
Long-term debt net of current portion	380,000	-	380,000	56,923
Total noncurrent liabilities	<u>908,326</u>	<u>513,770</u>	<u>1,422,096</u>	<u>75,560</u>
Total liabilities	<u>1,082,018</u>	<u>584,826</u>	<u>1,666,844</u>	<u>247,243</u>
Deferred Inflows of Resources				
Deferred amount relating to net pension asset	<u>25,195</u>	<u>25,196</u>	<u>50,391</u>	<u>-</u>
Net Position				
Net investment in capital assets	4,019,152	673,378	4,692,530	51,597
Unrestricted (deficit)	(123,372)	9,806	(113,566)	20,170
Total net position	<u>\$ 3,895,780</u>	<u>\$ 683,184</u>	<u>4,578,964</u>	<u>\$ 71,767</u>
Some amounts reported for business-type activities in the statement of net position are different because certain internal service funds assets and liabilities are reported with business-type activities			<u>(61,082)</u>	
Net position of business-type activities			<u>\$ 4,517,882</u>	

See Accompanying Notes to the Financial Statements

City of Bangor
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2022

	Enterprise Funds			Internal Service Fund
	Sewer	Water	Total	
Operating revenue				
Customer fees	\$ 476,805	\$ 548,098	\$ 1,024,903	\$ -
Billings to other funds	-	-	-	124,160
Other revenue	210,540	1,150	211,690	-
Total operating revenue	<u>687,345</u>	<u>549,248</u>	<u>1,236,593</u>	<u>124,160</u>
Operating expenses				
Personnel services	268,592	278,237	546,829	35,192
Supplies	6,924	28,107	35,031	53,994
Contractual services	19,460	32,220	51,680	3,032
Utilities	40,865	22,709	63,574	-
Repairs and maintenance	138,666	68,125	206,791	30,470
Other expenses	123,384	36,679	160,063	2,539
Depreciation	201,795	42,543	244,338	67,635
Total operating expenses	<u>799,686</u>	<u>508,620</u>	<u>1,308,306</u>	<u>192,862</u>
Operating income (loss)	<u>(112,341)</u>	<u>40,628</u>	<u>(71,713)</u>	<u>(68,702)</u>

See Accompanying Notes to the Financial Statements

City of Bangor
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2022

	Enterprise Funds			Internal Service Fund
	Sewer	Water	Total	
Nonoperating revenue (expenses)				
Federal grant	\$ 4,513	\$ -	\$ 4,513	\$ -
Interest expense	(12,688)	-	(12,688)	(4,043)
Total nonoperating revenues (expenses)	(8,175)	-	(8,175)	(4,043)
Change in net position	(120,516)	40,628	(79,888)	(72,745)
Net position - beginning of year	4,016,296	642,556		144,512
Net position - end of year	<u>\$ 3,895,780</u>	<u>\$ 683,184</u>		<u>\$ 71,767</u>
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities			<u>(56,748)</u>	
Change in net position of business-type activities			<u>\$ (136,636)</u>	

See Accompanying Notes to the Financial Statements

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

	Enterprise Funds			Internal Service Fund
	Sewer	Water	Total	
Cash flows from operating activities				
Receipts from customers	\$ 661,034	\$ 513,113	\$ 1,174,147	\$ -
Receipts from other funds	30,935	31,135	62,070	72,427
Payments to suppliers	(291,754)	(131,028)	(422,782)	(91,667)
Payments to employees	(148,250)	(178,573)	(326,823)	-
Payments for interfund services used	(44,946)	(57,635)	(102,581)	-
Net cash provided (used) by operating activities	<u>207,019</u>	<u>177,012</u>	<u>384,031</u>	<u>(19,240)</u>
Cash flows from noncapital financing activities				
Federal grant	<u>4,513</u>	<u>-</u>	<u>4,513</u>	<u>-</u>
Cash flows from capital and related financing activities				
Purchases/construction of capital assets	(200,528)	(59,874)	(260,402)	(45,954)
Principal and interest paid on long-term debt	(132,688)	-	(132,688)	(61,771)
Net cash used by capital and related financing activities	<u>(333,216)</u>	<u>(59,874)</u>	<u>(393,090)</u>	<u>(107,725)</u>
Net change in cash and cash equivalents	(121,684)	117,138	(4,546)	(126,965)
Cash and cash equivalents - beginning of year	<u>461,934</u>	<u>320,398</u>	<u>782,332</u>	<u>126,965</u>
Cash and cash equivalents - end of year	<u>\$ 340,250</u>	<u>\$ 437,536</u>	<u>\$ 777,786</u>	<u>\$ -</u>

See Accompanying Notes to the Financial Statements

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

	Enterprise Funds			Internal Service Fund
	Sewer	Water	Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (112,341)	\$ 40,628	\$ (71,713)	\$ (68,702)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation and amortization expense	201,795	42,543	244,338	67,635
Noncash items related to net pension asset and total OPEB liability	120,342	99,664	220,006	107,619
Changes in assets and liabilities				
Receivables (net)	(20,007)	(48,667)	(68,674)	-
Due from other units of government	(6,304)	11,482	5,178	-
Due from other funds	(1,065)	(865)	(1,930)	(124,201)
Prepaid items	(8,540)	(10,913)	(19,453)	(9,089)
Accounts payable	434	9,267	9,701	7,667
Accrued and other liabilities	705	823	1,528	(169)
Due to other funds	32,000	32,000	64,000	-
Customer deposits payable	-	1,050	1,050	-
Net cash provided (used) by operating activities	<u>\$ 207,019</u>	<u>\$ 177,012</u>	<u>\$ 384,031</u>	<u>\$ (19,240)</u>

See Accompanying Notes to the Financial Statements

City of Bangor
Fiduciary Fund
Statement of Fiduciary Net Position
June 30, 2022

	Custodial Fund
Assets	
Cash and cash equivalents	\$ 110,889
Liabilities	
Due to other units of government	110,889
Net Position	<u>\$ -</u>

See Accompanying Notes to the Financial Statements

City of Bangor
Fiduciary Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	<u>Custodial Fund</u>
Additions	
Property tax collections for other governments	\$ 2,849,772
Deductions	
Payments of property tax to other governments	<u>2,849,772</u>
Change in net position	-
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 Bangor
Component Units
Combining Statement of Net Position
June 30, 2022

	Downtown Development Authority	Economic Development Corporation	Total
Assets			
Cash and cash equivalents	\$ 54,178	\$ 147,070	\$ 201,248
Capital assets not being depreciated	128,259	-	128,259
Capital assets, net of accumulated depreciation	<u>560,824</u>	<u>-</u>	<u>560,824</u>
Total assets	<u>743,261</u>	<u>147,070</u>	<u>890,331</u>
Liabilities			
Accrued and other liabilities	4,011	-	4,011
Due to other units of government	-	77,466	77,466
Noncurrent liabilities			
Debt due within one year	55,620	-	55,620
Debt due in more than one year	<u>170,464</u>	<u>-</u>	<u>170,464</u>
Total liabilities	<u>230,095</u>	<u>77,466</u>	<u>307,561</u>
Net Position			
Net investment in capital assets	462,999	-	462,999
Unrestricted	<u>50,167</u>	<u>69,604</u>	<u>119,771</u>
Total net position	<u>\$ 513,166</u>	<u>\$ 69,604</u>	<u>\$ 582,770</u>

See Accompanying Notes to the Financial Statements

City of Bangor
Component Units
Combining Statement of Activities
For the Year Ended June 30, 2022

	Expenses	Net (Expense) Revenue and Changes in Net Position		Total
		Downtown Development Authority	Economic Development Corporation	
Component units				
Downtown Development Authority	\$ 137,811	\$ (137,811)	\$ -	\$ (137,811)
Economic Development Corporation	46,150	-	(46,150)	(46,150)
Total component units	<u>\$ 183,961</u>	<u>(137,811)</u>	<u>(46,150)</u>	<u>(183,961)</u>
General revenues				
Property taxes		177,634	-	177,634
Gain on sale of capital assets		-	2,000	2,000
Miscellaneous		-	85	85
Total general revenues		<u>177,634</u>	<u>2,085</u>	<u>179,719</u>
Change in net position		39,823	(44,065)	(4,242)
Net position - beginning of year		<u>473,343</u>	<u>113,669</u>	<u>587,012</u>
Net position - end of year		<u>\$ 513,166</u>	<u>\$ 69,604</u>	<u>\$ 582,770</u>

See Accompanying Notes to the Financial Statements

City of Bangor
Notes to the Financial Statements
June 30, 2022

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

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

Discretely Presented Component Units – The component unit column in the government-wide financial statements include the financial data of the following, and are reported in a separate column to emphasize that they are legally separate from the City:

City of Bangor Downtown Development Authority (DDA) – The DDA Board is comprised of nine members. The DDA is responsible for the creation of a development and financing plan for the downtown district or a development area within the district to promote economic growth. The DDA, which has a year ended June 30, is disclosed as a discretely presented component unit because the City appoints the governing body, approves the budget, and any surplus funds existing at termination of the DDA vest to the City.

City of Bangor Economic Development Corporation (EDC) – The EDC Board is comprised of up to nine members. The EDC was established to promote economic development within the City. The EDC, which has a year ended June 30, is disclosed as a discretely presented component unit because the City appoints the governing body and approves the budget. Separate financial statements have not been issued as management believes that these financial statements, including note disclosures, contain complete information so as to constitute fair presentation.

City of Bangor Housing Commission – This is a nonprofit corporation that was organized under the laws of the State of Michigan to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD). The City of Bangor Housing Commission operates with a fiscal year ended September 30. This is a legally separate entity but is considered a component unit due to the City's ability to influence the Housing Commission's actions through representation on the Housing Commission Board and because of their ability to impose its will by removing an appointed member. The Bangor Housing Commission component unit has been omitted from the City's June 30, 2022, financial statements as the Bangor Housing Commission has not submitted an audit to the Michigan Department of Treasury since fiscal year 2020. See Section 6 - Other Reports for additional information on this matter.

City of Bangor Hospital Finance Authority (HFA) – This potential component unit was created to provide a method to enable nonprofit, nonpublic hospitals to provide facilities and services for health care. To accomplish these purposes, the HFA is authorized to issue bonds. There is currently no financial activity for the HFA.

Jointly Governed Organizations – The City participates in the following activities which are considered to be jointly governed organizations in the relation to the City due to there being no ongoing financial interest or responsibility:

ABB Fire District – The City has joined with the Townships of Arlington and Bangor in establishing the ABB Joint Fire District (the District) to provide fire protection in the District's area of operation, which includes the City of Bangor. The operations of the District are financed by annual support from the participating units of government. The District's Board is composed of two members appointed from each of the participating municipalities. During the year ended June 30, 2022, the City did not contribute toward the District's operations. There is no equity interest by any participating

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unit in the District. The City is unaware of any indication that the District is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden on the City in the near future. Complete financial statements can be obtained from the District at 417 West Arlington Street, Bangor, Michigan.

South Haven Regional Airport Authority – The City has joined with the City of South Haven and the Townships of South Haven, Geneva, Casco, and Covert in establishing the South Haven Regional Airport Authority (the Authority) to provide airfield services in the Authority’s area of operation, which includes the City of Bangor. The Authority’s Board is composed of two members appointed from each of the remaining municipalities. The operations of the Authority are financed by annual support from the participating units of government, as well as hangar rentals and fuel sales. During the year ended June 30, 2022, the City contributed \$0 toward the Authority’s operations. There is no equity interest by any participating unit in the Authority. The City is unaware of any indication that the Authority is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden on the City in the near future. Complete financial statements can be obtained from the Authority at 73020 CR380, South Haven, Michigan.

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. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. 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 the fiduciary fund, even though the latter is 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are

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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 City.

The City reports the following major governmental funds:

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

The Major Streets Fund accounts for the maintenance and improvement activities for streets designated as "major" within the City. Funding is primarily through state-shared gas and weight taxes.

The Local Streets Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is primarily through state-shared gas and weight taxes.

The City 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 City 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.

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

The Fiduciary Fund accounts for property taxes 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 City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 and the internal service fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the

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system. Operating expenses for sewer and water funds and the internal service fund 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 Fund Balance

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 a 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. The City considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on each December 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 2021 taxable valuation of the City totaled \$36,468,746. Property taxes were levied for the following purposes, with tax revenues presented exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

	Mills	Revenue
Operating	14.2397	\$ 502,952
Seniors	0.4958	18,495
Roads	1.4874	55,507
Parks	0.3470	9,931
Cemetery	0.4958	12,133
Museum	0.4958	18,499
Police	4.0000	114,063
Fire	4.0000	118,310

The City’s tax revenues were not reduced by any tax abatements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities, business-type activities or component unit column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$3,500 (\$10,000 for infrastructure assets) 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 City values these capital assets at the estimated fair value of the item at the date of its donation.

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

Buildings, additions and improvements	7 to 45 years
Land improvements	7 to 100 years
Water and sewer system	5 to 100 years
Vehicles	3 to 10 years
Machinery and equipment	5 to 30 years
Infrastructure	7 to 20 years

Deferred outflows of resources – A deferred outflow of resources represents a consumption of net assets by the City that applies to future periods. 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 asset 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 asset in the following year. Deferred amounts on bond refundings are included in the government-wide financial statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt.

Compensated absences – It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Other Postemployment Benefits (OPEB) – The City offers retiree healthcare benefits to retirees. The City receives a calculation based on the alternative measurement method to compute the total OPEB liability and actuarially determined contribution (ADC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the total OPEB liability. The

City of Bangor
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total OPEB liability has generally been liquidated from the funds that the individual employee's salaries are paid.

Deferred inflows of resources – A deferred inflow of resources represents an acquisition of net assets by the City that applies to future periods. For governmental funds this would include unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. The City reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan 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 asset are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

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

Non-spendable – assets 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.

Assigned – amounts intended to be used for specific purposes, as determined by City Council or an official or committee to which the City Council delegates the authority. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

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's policy 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's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

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

Adoption of New Accounting Standards

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

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as an expenditure for financial statements prepared using the current financial resources measurement.

Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Upcoming Accounting and Reporting Changes

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.

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

The City is evaluating the impact that the above GASB statements will have on its financial reporting.

City of Bangor
Notes to the Financial Statements
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Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The City is subject to the budgetary control requirements of the Uniform Budgeting and Accounting Act (P.A. 2 of 1968, 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.

The City Manager submits to the Council a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are held to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance.

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. Any revisions that alter the total expenditures of an activity must be approved by the Council.

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.

Excess of Expenditures Over Appropriations

	Appropriations	Actual	Budget Variance
General Fund			
General government	\$ 355,390	\$ 509,384	\$ 153,994
Department of public works	132,500	184,660	52,160
Recreation and culture	52,000	54,686	2,686
Capital outlay	11,000	13,712	2,712
Major Streets Fund			
Current			
Public works	247,700	630,349	382,649
Local Streets Fund			
Current			
Public works	162,700	214,601	51,901

Deficit Net Position/Fund Deficits

The Sewer Fund reported a deficit in unrestricted net position in the amount of \$123,372 at year end. A deficit elimination plan is not required to be submitted to the State of Michigan as current assets are greater than current liabilities. The Major Streets Fund reported an unassigned fund deficit of \$15,419 at year end. A deficit elimination plan is not required to be submitted to the State of Michigan as deferred inflows are greater than the deficit.

Note 3 - Deposits and Investments

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

	Cash and Cash Equivalents	Investments	Total
Governmental activities	\$ 1,948,570	\$ 599	\$ 1,949,169
Business-type activities	777,786	1,290	779,076
Total	2,726,356	1,889	2,728,245
Fiduciary fund	110,889	-	110,889
Component units	201,248	-	201,248
Total	<u>\$ 3,038,493</u>	<u>\$ 1,889</u>	<u>\$ 3,040,382</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Fund	Component Units	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 2,726,216	\$ 110,889	\$ 201,248	\$ 3,038,353
Investments in securities, mutual funds and similar vehicles	1,889	-	-	1,889
Petty cash and cash on hand	140	-	-	140
	<u>\$ 2,728,245</u>	<u>\$ 110,889</u>	<u>\$ 201,248</u>	<u>\$ 3,040,382</u>

City of Bangor
Notes to the Financial Statements
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Interest rate risk – The City does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes authorize the City 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 City has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the City’s deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of yearend, \$2,199,108 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Capital Assets

Capital asset activity of the primary government for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 62,412	\$ -	\$ -	\$ 62,412
Capital assets being depreciated				
Land improvements	582,818	-	-	582,818
Infrastructure	1,582,316	-	-	1,582,316
Buildings, additions and improvements	771,039	6,350	-	777,389
Machinery and equipment	488,207	13,712	-	501,919
Vehicles	533,681	39,604	-	573,285
Total capital assets being depreciated	<u>3,958,061</u>	<u>59,666</u>	<u>-</u>	<u>4,017,727</u>
Less accumulated depreciation for				
Land improvements	399,344	22,574	-	421,918
Infrastructure	1,018,694	79,749	-	1,098,443
Buildings, additions and improvements	415,797	18,703	-	434,500
Machinery and equipment	418,175	34,362	-	452,537
Vehicles	427,043	42,647	-	469,690
Total accumulated depreciation	<u>2,679,053</u>	<u>198,035</u>	<u>-</u>	<u>2,877,088</u>
Net capital assets being depreciated	<u>1,279,008</u>	<u>(138,369)</u>	<u>-</u>	<u>1,140,639</u>
Governmental activities capital assets, net	<u>\$ 1,341,420</u>	<u>\$ (138,369)</u>	<u>\$ -</u>	<u>\$ 1,203,051</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 60,927	\$ -	\$ -	\$ 60,927
Capital assets being depreciated				
Land improvements	756,247	-	-	756,247
Equipment	124,231	-	-	124,231
Water system	1,705,613	59,874	-	1,765,487
Sewer system	6,725,104	200,528	-	6,925,632
Total capital assets being depreciated	<u>9,311,195</u>	<u>260,402</u>	<u>-</u>	<u>9,571,597</u>
Less accumulated depreciation for				
Land improvements	453,690	9,862	-	463,552
Equipment	111,082	6,206	-	117,288
Water system	1,089,559	39,788	-	1,129,347
Sewer system	2,541,470	188,482	-	2,729,952
Total accumulated depreciation	<u>4,195,801</u>	<u>244,338</u>	<u>-</u>	<u>4,440,139</u>
Net capital assets being depreciated	<u>5,115,394</u>	<u>16,064</u>	<u>-</u>	<u>5,131,458</u>
Business-type capital assets, net	<u>\$ 5,176,321</u>	<u>\$ 16,064</u>	<u>\$ -</u>	<u>\$ 5,192,385</u>

City of Bangor
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Capital asset activity of the component units for the current year is as follows:

Component Units	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 128,259	\$ -	\$ -	\$ 128,259
Capital assets being depreciated				
Land improvements	662,095	-	-	662,095
Buildings	69,229	34,275	-	103,504
Total capital assets being depreciated	731,324	34,275	-	765,599
Less accumulated depreciation	154,463	50,312	-	204,775
Net capital assets being depreciated	576,861	(16,037)	-	560,824
Component unit capital assets, net	\$ 705,120	\$ (16,037)	\$ -	\$ 689,083

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

Governmental activities

General government	\$ 9,160
Public safety	4,286
Public works	90,091
Recreation and culture	26,863

Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets

67,635

Total governmental activities

198,035

Business-type activities

Sewer	201,795
Water	42,543
Total business-type activities	<u>244,338</u>

Total primary government

\$ 442,373

Component Unit

Downtown Development Authority	<u>\$ 50,312</u>
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Note 5 - Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Major Streets Fund	\$ 3
Major Streets Fund	General Fund	14,045
Major Streets Fund	Local Streets Fund	1,000
Local Streets Fund	General Fund	9,113
Nonmajor Governmental Funds in the Aggregate	Internal Service Fund	36,226
Sewer Fund	General Fund	4,764
Water Fund	General Fund	4,764
Internal Service Fund	Sewer Fund	32,000
Internal Service Fund	Water Fund	32,000
Internal Service Fund	Major Streets Fund	58,988
Internal Service Fund	Local Streets Fund	64,431
		<u>\$ 257,334</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

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Note 6 - Long-Term Debt

The City 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 City. Notes payable and notes from direct borrowings and direct placements are also general obligations of the City. 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									
Notes from direct borrowings and direct placements									
2003 Note Payable - MI State Infrastructure Bank	\$ 64,400	2022	0.00%	\$ -	\$ 14,395	\$ -	\$ 14,395	\$ -	\$ -
2020 Ford Explorer Note Payable - Sturgis Bank	73,547	2022	0.00%	-	56,301	-	56,301	-	-
Installment Purchase Agreement - Leaf Vacuum	115,000	2028	3.66%	6,764 - 13,230	79,523	-	11,157	68,366	11,443
Total					150,219	-	81,853	68,366	11,443
Compensated absences					8,152	25,393	4,900	28,645	28,645
Total governmental activities					<u>\$ 158,371</u>	<u>\$ 25,393</u>	<u>\$ 86,753</u>	<u>\$ 97,011</u>	<u>\$ 40,088</u>
Business-type activities									
Bonds and notes payable									
General obligation bonds									
2006 Sewage Disposal System Refunding Bonds	\$ 2,200,000	2026	1.625%	\$125,000 - 130,000	\$ 625,000	\$ -	\$ 120,000	\$ 505,000	\$ 125,000
Component units									
Downtown Development Authority									
Notes from direct borrowings and direct placements									
2017 Parking Lot Loan	\$ 375,000	2025	2.29%	\$28,148 - \$40,164	\$ 166,263	\$ -	\$ 65,648	\$ 100,615	\$ 32,303
2020 Promissory Note	147,750	2027	3.50%	23,317 - 27,070	147,750	-	22,281	125,469	23,317
Total component unit					<u>\$ 314,013</u>	<u>\$ -</u>	<u>\$ 87,929</u>	<u>\$ 226,084</u>	<u>\$ 55,620</u>

City of Bangor
Notes to the Financial Statements
June 30, 2022

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

Year Ending June 30,	Governmental Activities		Business-type Activities		Component Units	
	Notes from Direct Borrowings and					
	Direct Placements		Bonds		Direct Placements	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 11,443	\$ 2,422	\$ 125,000	\$ 8,206	\$ 55,620	\$ 6,234
2024	11,866	1,999	125,000	6,176	52,300	4,754
2025	12,304	1,561	125,000	4,144	65,181	3,056
2026	12,759	1,107	130,000	2,112	25,913	1,644
2027	13,230	635	-	-	27,070	716
2028	6,764	136	-	-	-	-
	<u>\$ 68,366</u>	<u>\$ 7,860</u>	<u>\$ 505,000</u>	<u>\$ 20,638</u>	<u>\$ 226,084</u>	<u>\$ 16,404</u>

Deferred Amount on Refunding

The City issued bonds in 2006 to refund and retire previously issued bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$102,957. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2026. The balance at June 30, 2022 is \$5,145.

Note 7 - Net Investment in Capital Assets

The composition of net investment in capital asset as of June 30, 2022 was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets			
Capital assets not being depreciated	\$ 62,412	\$ 60,927	\$ 128,259
Capital assets, net of accumulated depreciation	<u>1,140,639</u>	<u>5,131,458</u>	<u>560,824</u>
Total capital assets	<u>1,203,051</u>	<u>5,192,385</u>	<u>689,083</u>
Related debt			
General obligation bonds	-	(505,000)	-
Notes from direct borrowing and direct placements	<u>(68,366)</u>	<u>-</u>	<u>(226,084)</u>
Total related debt	<u>(68,366)</u>	<u>(505,000)</u>	<u>(226,084)</u>
Deferred amount related to debt refunding	-	5,145	-
Net investment in capital assets	<u>\$ 1,134,685</u>	<u>\$ 4,692,530</u>	<u>\$ 462,999</u>

Note 8 - Risk Management

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

Note 9 - Employee Retirement and Benefit Systems

Defined Benefit Pension Plan

Plan description – The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer, statewide public employee defined benefit pension plan that covers all employees of the City. 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 1.20% for Final Average Compensation < \$4,200, plus 1.70% for Final Average Compensation > \$4,200. Vesting period is 10 years. Normal retirement age is 60 with unreduced early retirement at 55 with 25 years of service and reduced early retirement at 50 with 25 years of service or 55 with 15 years of service. Final average compensation is calculated based on 5 years. There are no member contributions.

City of Bangor
Notes to the Financial Statements
June 30, 2022

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

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to, but not yet receiving benefits	18
Active employees	<u>11</u>
	<u>45</u>

Contributions – The City 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 City may establish contribution rates to be paid by its covered employees. The City was not required to make any contributions in the current year as the plan is overfunded.

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

Actuarial assumptions – The total pension liability in the December 31, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.50%; 2) Salary increases 3.00% in the long-term; 3) Investment rate of return of 7.00%, 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 Pub-2010, PubG-2010, and PubNS-2010 Mortality Tables using scale MP-2019 from the Pub-2010 base year of 2010. The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study.

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 are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate Of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	60.00%	7.75%	4.65%	2.50%	3.15%
Global fixed income	20.00%	3.75%	0.75%	2.50%	0.25%
Private investments	<u>20.00%</u>	9.75%	<u>1.95%</u>	2.50%	<u>1.45%</u>
	<u>100.00%</u>		<u>7.35%</u>		<u>4.85%</u>

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

City of Bangor
Notes to the Financial Statements
June 30, 2022

Changes in Net Pension Asset

Total Pension Liability

Service cost	\$ 38,816
Interest on the total pension liability	117,488
Experience differences	34,111
Changes in actuarial assumptions	61,859
Benefit payments and refunds	<u>(129,447)</u>
Net change in total pension liability	122,827
Total pension liability - beginning	1,591,206
Total pension liability - ending (a)	<u>\$ 1,714,033</u>

Plan Fiduciary Net Position

Pension plan net investment income	\$ 312,548
Benefit payments and refunds	(129,447)
Pension plan administrative expense	<u>(3,397)</u>
Net change in plan fiduciary net position	179,704
Plan fiduciary net position - beginning	2,143,939
Plan fiduciary net position - ending (b)	<u>\$ 2,323,643</u>

Net pension asset (a-b)	<u>\$ (609,610)</u>
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Plan fiduciary net position as a percentage of total pension liability	135.57%
Covered payroll	\$ 487,030
Net pension asset as a percentage of covered payroll	-125.17%

Sensitivity of the net pension asset to changes in the discount rate – The following presents the net pension asset of the employer, calculated using the discount rate of 7.25%, as well as what the employer’s net pension asset would be using a discount rate that is 1% point lower (6.25%) or 1% higher (8.25%) than the current rate.

	Current	
<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
<u>\$ (408,117)</u>	<u>\$ (609,610)</u>	<u>\$ (776,252)</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2022, the City recognized pension expense of \$4,572. The City 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
Differences in experience	\$ 19,421	\$ (76,439)	\$ (57,018)
Differences in assumptions	30,929	-	30,929
Net difference between projected and actual earning on plan investments	-	(175,523)	(175,523)
Total	<u>\$ 50,350</u>	<u>\$ (251,962)</u>	<u>\$ (201,612)</u>

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

Year ended June 30,	
2023	\$ 6,887
2024	(89,875)
2025	(68,579)
2026	<u>(50,045)</u>
	<u>\$ (201,612)</u>

Note 10 - Other Postemployment Benefits

Plan description – The City administers the City of Bangor Retiree Medical Plan – a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time general employees of the City.

Benefits provided – The Plan provides healthcare, dental, and vision benefits for retirees and their spouse. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan.

City of Bangor
Notes to the Financial Statements
June 30, 2022

Employees covered by benefit terms – At June 30, 2022, the plan membership consisted of the following:

Retirees and beneficiaries	5
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The plan is closed to new employees.

Contributions – The City follows the pay-as-you-go method. For the year ended June 30, 2022, the City’s contributions were \$38,805. Employee are not required to contribute to the premium payments.

Total OPEB liability – The total OPEB liability was measured as of June 30, 2022 and based on the alternative measurement method calculated as of that date.

Actuarial assumptions – The total OPEB liability was determined by the alternative measurement method as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial cost method	Entry-age normal
Amortization method	Level dollar
Remaining amortization period	27 years, closed
Discount rate	2.16%
Salary increases	3.00%
Investment rate of return	2.16%
Retirement age	60
Mortality	Pub-2010 tables using scape MP-2020
Healthcare cost trend rates	Pre-65: 7.25% gradually decreasing .25% per year to an ultimate rate of 4.5%
	Post 65: 5.25% gradually decreasing .25% per year to an ultimate rate of 4.5%

The actuarial assumptions used in the June 30, 2022 valuation were based on the State of Michigan uniform assumptions.

Discount rate – The discount rate used to measure the total OPEB liability was 2.20%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. The plan has no dedicated assets. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Total OPEB Liability

Total OPEB Liability

Interest on the total pension liability	\$ 22,277
Experience differences	317,434
Benefit payments and refunds	(38,805)
Net change in total OPEB liability	300,906
Total OPEB liability - beginning	1,032,003
Total OPEB liability - ending (a)	\$ 1,332,909

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.16%) or 1% higher (3.16%) than the current discount rate.

1% Decrease	Current Discount Rate	1% Increase
\$ 1,892,776	\$ 1,332,909	\$ 977,836

City of Bangor
Notes to the Financial Statements
June 30, 2022

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if were calculated using healthcare cost trend rates that are 1% lower (6.25%) or 1% higher (8.25%) than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
<u>\$ 1,264,202</u>	<u>\$ 1,332,909</u>	<u>\$ 1,404,820</u>

OPEB expense – For the year ended June 30, 2022, the City recognized an OPEB expense of (\$723,902).

Note 11 - 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 City expects such amounts, if any, to be immaterial.

City of Bangor
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes				
Property taxes	\$ 536,500	\$ 536,500	\$ 637,844	\$ 101,344
Other taxes	56,500	56,500	117,087	60,587
Penalties and interest	3,000	3,000	2,490	(510)
Administration fee	20,000	20,000	21,973	1,973
Licenses and permits	85,300	85,300	96,190	10,890
State-shared revenue	250,000	250,000	311,619	61,619
State grants	12,000	12,000	20,789	8,789
Local contributions	-	-	7,352	7,352
Charges for services	149,650	149,650	181,742	32,092
Fines and forfeitures	14,000	14,000	24,357	10,357
Interest income	4,000	4,000	7,263	3,263
Rental income	15,000	15,000	19,942	4,942
Other revenue	16,300	16,300	10,566	(5,734)
Total revenues	<u>1,162,250</u>	<u>1,162,250</u>	<u>1,459,214</u>	<u>296,964</u>
Expenditures				
General government				
Township board	49,150	49,150	89,817	40,667
Manager	24,740	20,940	27,224	6,284
Clerk	44,500	50,500	45,470	(5,030)
Treasurer	74,300	69,100	63,925	(5,175)
Buildings and grounds	96,000	118,500	241,959	123,459
Cemetery	47,200	47,200	40,989	(6,211)
Total general government	<u>335,890</u>	<u>355,390</u>	<u>509,384</u>	<u>153,994</u>

City of Bangor
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Public safety				
Police	\$ 503,800	\$ 488,300	\$ 496,889	\$ 8,589
Building inspection department	25,000	25,000	15,823	(9,177)
Total public safety	<u>528,800</u>	<u>513,300</u>	<u>512,712</u>	<u>(588)</u>
Department of public works	<u>132,500</u>	<u>132,500</u>	<u>184,660</u>	<u>52,160</u>
Recreation and culture				
Parks and recreation	52,000	52,000	37,910	(14,090)
Library	-	-	16,776	16,776
Total recreation and culture	<u>52,000</u>	<u>52,000</u>	<u>54,686</u>	<u>2,686</u>
Capital outlay	<u>15,000</u>	<u>11,000</u>	<u>13,712</u>	<u>2,712</u>
Transfers out	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>(60,000)</u>
Total expenditures	<u>1,124,190</u>	<u>1,124,190</u>	<u>1,275,154</u>	<u>150,964</u>
Excess of revenues over expenditures	38,060	38,060	184,060	146,000
Fund balance - beginning of year	<u>904,518</u>	<u>904,518</u>	<u>904,518</u>	<u>-</u>
Fund balance - end of year	<u>\$ 942,578</u>	<u>\$ 942,578</u>	<u>\$ 1,088,578</u>	<u>\$ 146,000</u>

City of Bangor
Required Supplementary Information
Budgetary Comparison Schedule
Major Streets Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
State-shared revenue	\$ 210,000	\$ 210,000	\$ 91,336	\$ (118,664)
Other revenue	30,000	-	-	-
Total revenues	<u>240,000</u>	<u>210,000</u>	<u>341,141</u>	<u>131,141</u>
Expenditures				
Current				
Public works	277,900	247,700	630,349	382,649
Capital outlay	5,000	5,000	-	(5,000)
Debt service				
Principal retirement	7,000	7,200	7,198	(2)
Interest and fiscal charges	100	100	72	(28)
Total expenditures	<u>290,000</u>	<u>260,000</u>	<u>637,619</u>	<u>377,619</u>
Deficiency of revenues over expenditures	(50,000)	(50,000)	(296,478)	(246,478)
Fund balance - beginning of year	<u>283,985</u>	<u>283,985</u>	<u>283,985</u>	<u>-</u>
Fund balance (deficit) - end of year	<u>\$ 233,985</u>	<u>\$ 233,985</u>	<u>\$ (12,493)</u>	<u>\$ (246,478)</u>

City of Bangor
Required Supplementary Information
Budgetary Comparison Schedule
Local Streets Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes	\$ 42,000	\$ 42,000	\$ 55,507	\$ 13,507
State-shared revenue	80,000	80,000	35,009	(44,991)
Other revenue	30,000	-	-	-
Total revenues	<u>152,000</u>	<u>122,000</u>	<u>90,516</u>	<u>(31,484)</u>
Expenditures				
Current				
Public works	192,900	162,700	214,601	51,901
Capital outlay	2,000	2,000	-	(2,000)
Debt service				
Principal retirement	7,000	7,200	7,197	(3)
Interest and fiscal charges	100	100	72	(28)
Total expenditures	<u>202,000</u>	<u>172,000</u>	<u>221,870</u>	<u>49,870</u>
Deficiency of revenues over expenditures	(50,000)	(50,000)	(131,354)	(81,354)
Fund balance - beginning of year	<u>313,109</u>	<u>313,109</u>	<u>313,109</u>	<u>-</u>
Fund balance - end of year	<u>\$ 263,109</u>	<u>\$ 263,109</u>	<u>\$ 181,755</u>	<u>\$ (81,354)</u>

City of Bangor
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Asset and Related Ratios
June 30, 2022

Fiscal year ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 38,816	\$ 18,796	\$ 12,704	\$ 21,988	\$ 26,676	\$ 20,345	\$ 15,513	\$ 14,199
Interest on the total pension liability	117,488	113,888	118,978	129,907	128,888	129,232	128,993	128,248
Experience differences	34,111	(13,503)	(52,434)	(152,875)	6,311	-	-	-
Changes in actuarial assumptions	61,859	47,041	56,602	-	-	-	-	-
Other changes	-	-	-	-	-	1,080	61,352	-
Benefit payments and refunds	(129,447)	(128,280)	(126,924)	(135,057)	(158,512)	(157,737)	(155,135)	(112,989)
Net change in total pension liability	122,827	37,942	8,926	(136,037)	3,363	(7,080)	50,723	29,458
Total pension liability - beginning	1,591,206	1,553,264	1,544,338	1,680,375	1,677,012	1,684,092	1,633,369	1,603,911
Total pension liability - ending (a)	<u>\$ 1,714,033</u>	<u>\$ 1,591,206</u>	<u>\$ 1,553,264</u>	<u>\$ 1,544,338</u>	<u>\$ 1,680,375</u>	<u>\$ 1,677,012</u>	<u>\$ 1,684,092</u>	<u>\$ 1,633,369</u>
Plan Fiduciary Net Position								
Pension plan net investment income (loss)	\$ 312,548	\$ 245,919	\$ 253,851	\$ (79,360)	\$ 260,259	\$ 217,607	\$ (30,819)	\$ 134,339
Benefit payments and refunds	(129,447)	(128,280)	(126,924)	(135,057)	(158,512)	(157,737)	(155,135)	(112,989)
Pension plan administrative expense	(3,397)	(4,003)	(4,370)	(4,035)	(4,135)	(4,303)	(4,610)	(4,914)
Net change in plan fiduciary net position	179,704	113,636	122,557	(218,452)	97,612	55,567	(190,564)	16,436
Plan fiduciary net position - beginning	2,143,939	2,030,303	1,907,746	2,126,198	2,028,586	1,973,019	2,163,583	2,147,147
Plan fiduciary net position - ending (b)	<u>\$ 2,323,643</u>	<u>\$ 2,143,939</u>	<u>\$ 2,030,303</u>	<u>\$ 1,907,746</u>	<u>\$ 2,126,198</u>	<u>\$ 2,028,586</u>	<u>\$ 1,973,019</u>	<u>\$ 2,163,583</u>
Net pension asset (a-b)	<u>\$ (609,610)</u>	<u>\$ (552,733)</u>	<u>\$ (477,039)</u>	<u>\$ (363,408)</u>	<u>\$ (445,823)</u>	<u>\$ (351,574)</u>	<u>\$ (288,927)</u>	<u>\$ (530,214)</u>
Plan fiduciary net position as a percentage of total pension liability	135.57%	134.74%	130.71%	123.53%	126.53%	120.96%	117.16%	132.46%
Covered payroll	\$ 487,030	\$ 285,219	\$ 184,644	\$ 326,718	\$ 394,621	\$ 297,441	\$ 191,987	\$ 175,730
Net pension asset as a percentage of covered payroll	(125.17%)	(193.79%)	(258.36%)	(111.23%)	(112.97%)	(118.20%)	(150.49%)	(301.72%)

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 Bangor
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions
June 30, 2022

Fiscal Year Ended	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ -	\$ -	\$ -	\$ 175,730	- %
2016	-	-	-	191,987	- %
2017	-	-	-	297,441	- %
2018	-	-	-	394,621	- %
2019	-	-	-	326,718	- %
2020	-	-	-	179,074	- %
2021	-	-	-	425,779	- %
2022	-	-	-	579,544	- %

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. The actuarially determined contribution (ADC) included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.

- Actuarially determined contribution is zero as the City has a net pension asset

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry-age
Amortization method	Level percentage of payroll
Remaining amortization period	9 to 15 years
Asset valuation method	5-year smoothed value of assets
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.35%
Retirement age	60
Mortality	RP-2014 Healthy Annuitant Mortality Tables - 50% male and 50% female blend RP-2014 Employee Mortality Tables - 50% male and 50% female blend RP-2014 Juvenile Mortality Tables - 50% male and 50% female blend

City of Bangor
Required Supplementary Information
Other Postemployment Benefits
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2022

Fiscal year ended June 30,	2022	2021	2020	2019	2018
Total OPEB Liability					
Interest	\$ 22,277	\$ 22,487	\$ 41,621	\$ 32,048	\$ 37,676
Differences between expected and actual experience	317,434	388,346	(746,179)	(8,902)	(159,645)
Changes in assumptions	-	-	-	349,901	8,506
Benefit payments	(38,805)	(42,640)	(37,968)	(69,974)	(78,304)
Net change in total OPEB liability	300,906	368,193	(742,526)	303,073	(191,767)
Total OPEB liability - beginning	1,032,003	663,810	1,406,336	1,103,263	1,295,030
Total OPEB liability - ending (a)	<u>\$ 1,332,909</u>	<u>\$ 1,032,003</u>	<u>\$ 663,810</u>	<u>\$ 1,406,336</u>	<u>\$ 1,103,263</u>
Plan fiduciary net position as a percentage of total OPEB liability	N/A*	N/A*	N/A*	N/A*	N/A*
Covered payroll	N/A*	N/A*	N/A*	N/A*	N/A*
Net OPEB liability as a percentage of covered payroll	N/A*	N/A*	N/A*	N/A*	N/A*

Note: GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018 and does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available.

*Payroll is not a component of the calculation

City of Bangor
Required Supplementary Information
Other Postemployment Benefits
Schedule of Employer Contributions
June 30, 2022

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 1,333,881	\$ 78,304	\$ 1,255,577	N/A*	N/A*
2019	69,227	69,974	(747)	N/A*	N/A*
2020	33,462	37,968	(4,506)	N/A*	N/A*
2021	36,093	42,640	(6,547)	N/A*	N/A*
2022	52,170	38,805	13,365	N/A*	N/A*

*Payroll is not a component of this calculation

Note: The actuarially determined contribution (ADC) included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	27 years, closed
Discount rate	2.16%
Salary increases	3.00%
Investment rate of return	2.16%
Retirement age	60
Mortality	Pub-2010 tables using scape MP-2020
Healthcare cost trend rates	Pre-65: 7.25% gradually decreasing .25% per year to an ultimate rate of 4.5%
	Post 65: 5.25% gradually decreasing .25% per year to an ultimate rate of 4.5%

Note: GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

City of Bangor
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Police	Bangor Fire District	South Haven Hospital Authority	Senior Services	Library Maintenance	
Assets						
Cash and cash equivalents	\$ 20,238	\$ 1,646	\$ 925	\$ 6,172	\$ 72,459	\$ 101,440
Receivables						
Customers	-	-	65	66	-	131
Due from other funds	<u>36,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,226</u>
Total assets	<u>\$ 56,464</u>	<u>\$ 14,126</u>	<u>\$ 990</u>	<u>\$ 8,214</u>	<u>\$ 72,459</u>	<u>\$ 152,253</u>
Liabilities						
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 990</u>
Fund Balances						
Restricted for						
Public safety	56,464	14,126	-	-	-	70,590
Senior services	-	-	-	8,214	-	8,214
Library maintenance	-	-	-	-	72,459	72,459
Total fund balances	<u>56,464</u>	<u>14,126</u>	<u>-</u>	<u>8,214</u>	<u>72,459</u>	<u>151,263</u>
Total liabilities and fund balances	<u>\$ 56,464</u>	<u>\$ 14,126</u>	<u>\$ 990</u>	<u>\$ 8,214</u>	<u>\$ 72,459</u>	<u>\$ 152,253</u>

City of Bangor
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Police	Bangor Fire District	South Haven Hospital Authority	Senior Services	Library Maintenance	
Revenues						
Taxes	\$ 19,734	\$ 118,310	\$ -	\$ 18,495	\$ -	\$ 156,539
Local contributions	-	-	-	-	4,000	4,000
Total revenues	<u>19,734</u>	<u>118,310</u>	<u>-</u>	<u>18,495</u>	<u>4,000</u>	<u>160,539</u>
Expenditures						
Current						
Public safety	-	109,158	-	-	-	109,158
Recreation and culture	-	-	-	-	2,533	2,533
Total expenditures	<u>-</u>	<u>109,158</u>	<u>-</u>	<u>16,519</u>	<u>2,533</u>	<u>128,210</u>
Net change in fund balances	19,734	9,152	-	1,976	1,467	32,329
Fund balances - beginning of year	<u>36,730</u>	<u>4,974</u>	<u>-</u>	<u>6,238</u>	<u>70,992</u>	<u>118,934</u>
Fund balances - end of year	<u>\$ 56,464</u>	<u>\$ 14,126</u>	<u>\$ -</u>	<u>\$ 8,214</u>	<u>\$ 72,459</u>	<u>\$ 151,263</u>

City of Bangor
Other Supplementary Information
Schedule of Indebtedness
June 30, 2022

	Governmental	Business-type	Component Unit		
	Activities	Activities			
September 30,	Installment Purchase Agreement - Leaf Vacuum	2006 GO Sewage Disposal System Refunding Bonds	2017 Parking Lot Loan	2020 Promissory Note	Total
2023	\$ 11,443	\$ 125,000	\$ 32,303	\$ 23,317	\$ 55,620
2024	11,866	125,000	28,148	24,152	52,300
2025	12,304	125,000	40,164	25,017	65,181
2026	12,759	130,000	-	25,913	25,913
2027	13,230	-	-	27,070	27,070
2028-2032	6,764	-	-	-	-
Total	<u>\$ 68,366</u>	<u>\$ 505,000</u>	<u>\$ 100,615</u>	<u>\$ 125,469</u>	<u>\$ 226,084</u>
Interest rate	3.660%	1.625%	2.290%	3.500%	
Original issue	<u>\$ 115,000</u>	<u>\$ 2,200,000</u>	<u>\$ 375,000</u>	<u>\$ 147,750</u>	

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

Honorable Mayor and the City Council
City of Bangor
Bangor, 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 Bangor (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 11, 2023.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001, 2022-003, 2022-004, and 2022-005 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2022-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-001, 2022-003, 2022-004, and 2022-005.

City of Bangor's Response to Findings and Corrective Action Plans

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

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.

Kalamazoo, Michigan
September 11, 2023

City of Bangor
Schedule of Findings and Responses
June 30, 2022

2022-001 - Material Weakness and Material Noncompliance – Audit Adjustments/Internal Controls Over Financial Reporting

Specific Requirement:	Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.
Condition:	The City lacks complete internal control documentation which directly results in a lack of monitoring, untimely reconciliations and an overall poor control environment. Several issues were noted during our review of internal controls including lack of segregation of duties, lack of adequate support for transactions, lack of review of electronic payments, and lack of supporting documentation for pay rates in employee files. Therefore, material journal entries were proposed by the auditors to properly account for various financial statement amounts. These misstatements were not detected by the City's internal control over financial reporting in a timely manner. These entries proposed by the auditor were considered qualitatively or quantitatively material to various funds. The entries were necessary to adjust most financial statement areas.
Cause:	Material journal entries were not detected by the City's internal control over financial reporting. This is a direct result of a lack of policies and procedures as well as a lack of adequate training regarding reconciliations and yearend accruals.
Effect:	Had the journal entries not been recorded, the financial statements would have been materially misstated.
Recommendation:	We recommend the City take steps to ensure that all accounts are reconciled in a timely manner and that material journal entries are identified and recorded. This will help to improve the City Council's decisions by basing their decisions on accurate financial information. Further, we recommend that the City develop formal internal control polices and procedures to ensure that financial information is reconciled and reviewed timely.
Views of responsible officials:	Management is in agreement with the finding.
Corrective action plan:	See attached.

City of Bangor
Schedule of Findings and Responses
June 30, 2022

2022-002 – Significant Deficiency – Unsubstantiated Utility Bill Adjustments

Specific Requirement:	Management is responsible for retaining documentation that substantiates adjustments to all utility bills to ensure that all were approved and are reasonable.
Condition:	During the review of internal controls, the auditor requested supporting documentation, including approvals, for all utility bill adjustments made during the year ended June 30, 2022. The City was unable to provide any supporting documentation to substantiate any of the utility bill adjustments.
Cause:	This is a direct result of the lack of internal control policies and procedures.
Effect:	Utility bill adjustments were not able to be substantiated and therefore, there was no way to verify that they were approved and appropriate.
Recommendation:	We recommend the City develop a formal policy and procedures for utility bill adjustments. This will help to ensure that any adjustments are reviewed and approved before the adjustment is made to verify it is reasonable and appropriate. Lack of policies and procedures over utility bill adjustments increases the risk that improper adjustments will occur.
Views of responsible officials:	Management is in agreement with the finding.
Corrective action plan:	See attached.

City of Bangor
Schedule of Findings and Responses
June 30, 2022

2022-003 – Material Weakness and Material Noncompliance – Audit Report Not Filed Timely

Specific Requirement:	The Uniform Budgeting and Accounting Act (P.A. 2 of 1968) requires local units to complete and file and audit annually within 6 months of the local unit's fiscal year end.
Condition:	The annual audit report was not filed within 6 months of the City's fiscal year end.
Cause:	This is a direct result of the lack of internal control policies and procedures that ultimately resulted in untimely reconciliations.
Effect:	The effect was untimely reconciliations, which resulted in a significant amount of auditor proposed entries and ultimately a late audit filing. The City is not in compliance with P.A. 2 of 1968.
Recommendation:	We recommend the City take steps to ensure that all accounts are reconciled in a timely manner and that material journal entries are identified and recorded in order to ensure the timely completion of the audit.
Views of responsible officials:	Management is in agreement with the finding.
Corrective action plan:	See attached.

City of Bangor
Schedule of Findings and Responses
June 30, 2022

2022-004 – Material Weakness and Material Noncompliance – Component Unit Omitted

Specific Requirement:	Local governments are required to present the financial activity of a component unit that is a legally separate organization for which the primary government officials are financially accountable for or for which the relationship with the primary government is such that it would be misleading or incomplete to exclude the component unit from the primary government's financial statements.
Condition:	The Bangor Housing Commission, a component unit of the City, has not filed an audit with the Michigan Department of Treasury since fiscal year 2020.
Cause:	The Bangor Housing Commission experienced turnover in the Executive Director position in fiscal year 2020 which has resulted in the lack of timely audit submissions to the State.
Effect:	The City, with the Michigan Department of Treasury's approval, has elected to omit the Bangor Housing Commission in the City's 2022 financial statements in order to submit their audit, which is also late as described in finding 2022-003. This results in modified opinions in our Independent Auditors' Report.
Recommendation:	We recommend the City work with the administration of the Bangor Housing Commission to take steps to ensure that all accounts are reconciled in a timely manner and that material journal entries are identified and recorded in order to ensure the timely completion of the audit.
Views of responsible officials:	Management is in agreement with the finding.
Corrective action plan:	See attached.

City of Bangor
Schedule of Findings and Responses
June 30, 2022

2022-005 – Material Weakness and Material Noncompliance – Expenditures in Excess of Appropriations

Specific Requirement: The City may not make expenditures for which there are not appropriations in the budget.

Condition: As of June 30, 2022, material expenditures were in excess of amounts appropriated in the amended budgets as follows:

	Appropriations	Actual	Budget Variance
General Fund			
General government	\$ 355,390	\$ 509,384	\$ 153,994
Department of public works	132,500	184,660	52,160
Major Streets Fund			
Current			
Public works	247,700	630,349	382,649
Local Streets Fund			
Current			
Public works	162,700	214,601	51,901

Cause: Various expenditures for the General Fund, Major Streets Fund and Local Streets Fund were not included in the final budget amendments.

Effect: The expenditure of funds in excess of appropriations is contrary to the provisions of Section 17 of the Uniform Budgeting and Accounting Act. The City is not in compliance with State statute.

Recommendation: We recommend that the City develop budgetary control procedures, including passing budget amendments, which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

Views of responsible officials: Management is in agreement with the finding.

Corrective action plan: See attached.

CITY OF BANGOR

257 W. Monroe Street Bangor, MI 49013

Local Audit and Finance Division
Michigan Department of Treasury
P.O. Box 30728
Lansing, Michigan 48847

Dear Sir/Madam:

I am writing to relay the correction action plan for the issues identified in the June 30, 2022 audit report of the City of Bangor. As City Manager and Chief Administration Officer, I will be the contact person and ultimately responsible for implementation.

Finding 2022-001 – Material Weakness and Material Noncompliance – Audit Adjustments/Internal Controls Over Financial Reporting

Condition: The City lacks complete internal control documentation which directly results in a lack of monitoring, untimely reconciliations and an overall poor control environment. Several issues were noted during our review of internal controls including lack of segregation of duties, lack of adequate support for transactions, lack of review of electronic payments, and lack of supporting documentation for pay rates in employee files. Therefore, material journal entries were proposed by the auditors to properly account for various financial statement amounts. These misstatements were not detected by the City's internal control over financial reporting in a timely manner. These entries proposed by the auditor were considered qualitatively or quantitatively material to various funds. The entries were necessary to adjust most financial statement areas.

Corrective Action Plan: The City will be updating policies and procedure to be in compliance. Bank reconciliations will be done in a timelier manner and sent to the City's accountant for review. Online bank transfers will be initiated by the City Treasurer and reviewed by the City Clerk/City Manager. Electronic payments will be initiated by the City Treasurer and reviewed by the City Clerk and presented to the City Council for approval. All payrates/raises will be presented to the City Council for approval.

Finding 2022-002 – Significant Deficiency – Unsubstantiated Utility Bill Adjustments

Condition: During the review of internal controls, the auditor requested supporting documentation, including approvals, for all utility bill adjustments made during the year ended June 30, 2022. The City was unable to provide any supporting documentation to substantiate any of the utility bill adjustments.

Corrective Action Plan: The City will consult with the software provider to reassess how bill adjustments are processed.

Finding 2022-003 – Material Weakness and Material Noncompliance – Audit Report Not Filed Timely

Condition: The annual audit report was not filed within 6 months of the City’s fiscal year end.

Corrective Action Plan: The City will work with the City’s accountant to have the audit filed in a timely manner.

Finding 2022-004 – Material Weakness and Material Noncompliance – Component Unit Omitted

Condition: The Bangor Housing Commission, a component unit of the City, has not filed an audit with the Michigan Department of Treasury since fiscal year 2020.

Corrective Action Plan: The City will work with the Bangor Housing Commission to get their audit filed.

Finding 2022-005 – Material Weakness and Material Noncompliance – Expenditures in Excess of Appropriations

Condition: As of June 30, 2022, material expenditures were in excess of amounts appropriated in the amended budgets as follows:

	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
General Fund			
General government	\$ 355,390	\$ 509,384	\$ 153,994
Department of public works	132,500	184,660	52,160
Major Streets Fund			
Current			
Public works	247,700	630,349	382,649
Local Streets Fund			
Current			
Public works	162,700	214,601	51,901

Corrective Action Plan: The City Manager and Treasurer will work closely together to make sure that the City stays with in budgeted amounts.

Tommy Simpson, City Manager

September 11, 2023

Honorable Mayor and City Council
City of Bangor
Bangor, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bangor (the City) as of and for the year ended June 30, 2022. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

Our communication includes the following:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration
- III. Audit Adjustments

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the City during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

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

Yeo & Yeo, P.C.

Kalamazoo, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated September 1, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the footnotes of the financial statements. The City has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2021:

- 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.
- Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments.
- Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

We noted no transactions entered into by the City during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial

statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City’s financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension asset, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Other postemployment benefits. The estimate is derived from a calculation including factors such as: life expectancy, historical insurance costs, probability of retirement, and the applicable federal interest rates in effect at the time of the calculation.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures in the financial statements are neutral, consistent and clear.

A significant risk is an identified and assessed risk of material misstatement that, in the auditors’ professional judgment, requires special audit consideration. Within our audit, we focused on the following areas.

- Management override of controls
- Improper revenue recognition
- Implementation of new accounting standard
- Expenditures not recorded in the proper period
- Internal control material weaknesses
- Unsubstantiated adjustments to utility bills

Accounting Standards

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements except the following adjustments:

Description	Business-type Activities						
	Over (Under) Stated						
	Total Assets	Total Liabilities	Total Net Position	Total Beginning Net Position	Revenues	Expenditures	Change in Net Position
Customer deposit listing does not agree to trial balance	\$ -	\$ -	\$ -	\$ (3,189)	\$ 3,189	\$ -	\$ 3,189

Description	Water Fund						
	Over (Under) Stated						
	Total Assets	Total Liabilities	Total Net Position	Total Beginning Net Position	Revenues	Expenditures	Change in Net Position
Customer deposit listing does not agree to trial balance	\$ -	\$ -	\$ -	\$ (3,189)	\$ 3,189	\$ -	\$ 3,189

In addition to the uncorrected misstatements above, the City also has an uncorrected misstatement related to the MERS net pension asset. The City offers a pension benefit to employees through the Municipal Employees’ Retirement System of Michigan (MERS). Annually, MERS reports information to the City that is used to record the net pension liability. MERS provides a *Statement of Fiduciary Net Position* (SFNP) to participating

governments shortly after MERS' fiscal year end. Subsequently, MERS issues an audited *Schedule of Changes in Fiduciary Net Position by Employer*. For the twelve months ended December 31, 2020, this schedule included an adjustment related to the value of alternative investments that was not reflected in the original SFNP. MERS did not adequately communicate this change to the City, and therefore, the City used the SFNP values to record the net pension liability in its June 30, 2021 financial statements. As a result, the City's beginning net position and current expenses in the June 30, 2022 financial statements are understated. Opinion units of the City affected by this matter and the value of the alternative investment adjustment are as follows:

- i) Governmental Activities \$21,421
- ii) Business-type Activities \$5,356
- iii) Water Fund \$2,678
- iv) Sewer Fund \$2,678

Several material misstatements were detected as a result of our audit procedures and corrected by management. See Appendix III for a listing of all audit adjustments. All entries presented were considered to be qualitatively or quantitatively material to the financial statements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Other Reports

Other information that is required to be reported to you is included in the Independent Auditors' 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* and the Schedule of Findings and Responses. Please read all information included in that report to ensure you are aware of relevant information.

Report on Required Supplementary Information

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Report on Other Supplementary Information

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

Appendix II

Matters for Management’s Consideration

In planning and performing our audit of the financial statements of the City as of and for the year ended June 30, 2022, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

However, during our audit we became aware of the following matters for management’s consideration that are opportunities for strengthening internal controls and compliance. This letter does not affect our report dated September 11, 2023, on the financial statements of the City.

Lack of Required Policy

Although the City accepts payments by credit card, the City does not have an approved policy for the acceptance of credit cards. We recommend that the City drafts and approves this policy immediately to ensure compliance with state law. This will require a resolution by the City Council to approve the acceptance of credit card policy. Further information on the requirements of these resolutions and policies may be found at the following link: [http://www.legislature.mi.gov/\(S\(qxxl4qoohjy33safszbkbu3\)\)/mileq.aspx?page=getObject&objectName=mcl-Act-280-of-1995](http://www.legislature.mi.gov/(S(qxxl4qoohjy33safszbkbu3))/mileq.aspx?page=getObject&objectName=mcl-Act-280-of-1995)

Municipal Qualifying Statement

The City has not filed the required Municipal Qualifying Statement (MQS) since 2019. The MQS determines compliance with Public Act 34, which determines a government’s ability to issue municipal securities without additional approval from the State of Michigan Department of Treasury. We recommend that the City file MQS’s through the current fiscal year to ensure that they are compliant with State law. Further information on the requirements of Public Act 34 can be found at the following link: [http://www.legislature.mi.gov/\(S\(ykewgruauquarbicpmanrko3\)\)/mileq.aspx?page=getObject&objectName=mcl-141-2303](http://www.legislature.mi.gov/(S(ykewgruauquarbicpmanrko3))/mileq.aspx?page=getObject&objectName=mcl-141-2303)

**Appendix III
Audit Adjustments**

Account	Description	Debit	Credit	Net Income Effect
AJE01				
Recognize tower rental revenue for amount paid in advance				
101-000-240.000	DEFERRED REVENUE	872	-	
101-000-668.000	FRANCHISE FEES, RENTS, ROYALTIES	-	872	
Total		<u>872</u>	<u>872</u>	<u>872</u>
AJE02				
Adjustments to AR Balances				
590-000-033.000	WKLY TRASH SERVICE REC	-	8,509	
590-000-002.000	AP CASH	8,509	-	
591-000-033.000	WKLY TRASH SERVICE REC	8,912	-	
591-000-002.000	AP CASH	-	8,509	
591-000-642.000	CHARGES FOR SERVICE	-	403	
Total		<u>17,421</u>	<u>17,421</u>	<u>403</u>
AJE03				
DDA - Capitalize building improvements				
270-000-136.000	Buildings	34,275	-	
270-715-970.000	Remodels:City Hall Main Entrance	-	34,275	
Total		<u>34,275</u>	<u>34,275</u>	<u>34,275</u>
AJE04				
DDA - Adjust parking lot loan				
270-000-301.000	Parking Lot Loan	-	3,894	
270-715-950.000	Interest	3,894	-	
Total		<u>3,894</u>	<u>3,894</u>	<u>(3,894)</u>
AJE05				
Correct pooled cash bank reconciliation				
101-000-002.002	STURGIS AP CASH	-	40,474	
101-000-402.000	PROPERTY TAX-REAL	40,474	-	
Total		<u>40,474</u>	<u>40,474</u>	<u>(40,474)</u>
AJE06				
Correct property taxes				
101-000-084.901	DUE FROM OTHER GOVERNMENTS	37,751	-	
101-000-402.000	PROPERTY TAX-REAL	-	49,368	
101-000-084.701	DUE FROM TRUST AGENCY	11,617	-	
101-000-405.000	PROPERTY TAXES - MUSEUM	-	18,499	
101-000-084.701	DUE FROM TRUST AGENCY	1,976	-	
101-738-818.000	CONTRACTUAL SERVICES	16,523	-	
211-000-818.000	CONTRACTUAL SERVICES	105,830	-	
211-000-084.701	DUE FROM TRUST AGENCY	12,480	-	
211-000-404.000	PROPERTY TAXES	-	118,310	
297-000-818.000	CONTRACTUAL SERVICES	16,519	-	
297-000-404.000	CAPTURED TAXES	-	18,495	
297-000-084.701	DUE FROM TRUST AGENCY	1,976	-	
203-000-084.701	DUE FROM TRUST AGENCY	-	8,258	
203-000-404.001	BANGOR ROADS TAX	8,258	-	
701-000-214.203	DUE TO LOCAL STREET FUND	8,258	-	
701-000-214.091	DUE TO GENERAL FUND-REAL	-	8,258	
701-000-228.000	DUE TO STATE OF MI	-	600	
701-000-618.000	CFS-TAX ADMIN FEE	600	-	
Total		<u>221,788</u>	<u>221,788</u>	<u>57,542</u>
AJE07				
Adjust state shared revenue				
101-000-078.000	DUE FROM STATE	4,453	-	
101-000-574.000	STATE SHARED REVENUE	-	4,163	
101-000-574.002	EVIP REVENUE	-	15,415	
101-265-956.000	MISCELLANEOUS	15,125	-	
Total		<u>19,578</u>	<u>19,578</u>	<u>4,453</u>
AJE08				
Correct Act 51 revenue, AR and deferred inflows for amount being withheld by the state				
202-000-546.000	STATE OF MICHIGAN REVENUE	36,060	-	
202-000-078.000	DUE FROM STATE	-	36,060	
202-000-078.000	DUE FROM STATE	137,387	-	
202-000-360.000	DEFERRED INFLOW - STATE REVENUE	-	137,387	
203-000-546.000	STATE OF MICHIGAN REVENUE	13,378	-	
203-000-078.000	DUE FROM STATE	-	13,378	
203-000-078.000	DUE FROM STATE	50,974	-	
203-000-360.000	DEFERRED INFLOW - STATE REVENUE	-	50,974	
Total		<u>237,799</u>	<u>237,799</u>	<u>(49,438)</u>
AJE09				
Record internal service fund allocation				
202-000-214.661	D.T.O.F. MOTOR EQUIPMENT	-	30,000	
202-473-943.000	EQUIPMENT RENTAL	30,000	-	
203-000-214.661	D.T.O.F. MOTOR EQUIPMENT	-	30,000	
203-463-943.000	EQUIPMENT RENTAL	30,000	-	
590-548-943.000	EQUIPMENT RENTAL	32,000	-	
590-000-224.661	Due to ISF	-	32,000	
591-556-943.000	EQUIPMENT RENTAL	32,000	-	
591-000-214.661	Due to ISF	-	32,000	
661-000-669.000	EQUIPMENT RENTAL	-	124,000	
661-000-067.202	DUE FROM MAJOR STREETS	30,000	-	
661-000-067.203	DUE FROM LOCAL STREETS	30,000	-	
661-000-067.090	Due from Sewer Fund	32,000	-	
661-000-067.091	DUE FROM WATER FUND	32,000	-	
Total		<u>248,000</u>	<u>248,000</u>	<u>-</u>

Account	Description	Debit	Credit	Net Income Effect
AJE10				
Adjust due to/due froms				
207-000-402.000	PROPERTY TAX-POL BLD 207	2,413	-	
207-000-084.701	DUE FROM TRUST AGENCY	-	2,413	
Total		<u>2,413</u>	<u>2,413</u>	<u>(2,413)</u>
AJE11				
Adjust utility billing AR				
590-000-035.000	UTILITY BILL REC-RENT	-	5,826	
590-000-642.000	CHARGES FOR SERVICE	5,826	-	
591-000-035.000	UTILITY BILL REC-RENT	-	6,223	
591-000-642.000	CHARGES FOR SERVICE	6,223	-	
Total		<u>12,049</u>	<u>12,049</u>	<u>(12,049)</u>
AJE12				
Adjust unearned revenue				
101-000-240.002	Unearned Revenue	1,500	-	
101-000-668.000	FRANCHISE FEES, RENTS, ROYALTIES	-	1,500	
Total		<u>1,500</u>	<u>1,500</u>	<u>1,500</u>
AJE13				
Reclass road grant received from state out of misc revenue				
202-000-540.000	OTHER STATE GRANTS	-	249,805	
202-000-694.000	MISCELLANEOUS INCOME	249,805	-	
Total		<u>249,805</u>	<u>249,805</u>	<u>-</u>
AJE14				
Remove operating millage property taxes from EDC fund and set up due to/due from to general				
101-000-402.000	PROPERTY TAX-REAL	-	77,466	
101-000-084.901	DUE FROM OTHER GOVERNMENTS	77,466	-	
280-000-956.005	TIFA TAXES TO EDC	77,466	-	
280-000-214.101	DUE TO OTHER GOVTS	-	77,466	
Total		<u>154,932</u>	<u>154,932</u>	<u>-</u>