

City of Bangor

Financial Statements

June 30, 2023



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Independent Auditors' Report

To the Honorable Mayor, City Council, and Management
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, 2023, 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, 2023, 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, 2023, 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, 2023, 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.

Fund Deficits

As of June 30, 2023, the City has an unrestricted deficit net position in the Sewer Fund of \$156,321, an unrestricted deficit net position in the Motor Vehicle Pool Fund of \$94,833 and an unassigned deficit fund balance in the Bangor Fire District Fund of \$44,295, which resulted from operating deficits. The deficits and status of the City's Deficit Elimination Plans that are required by the Michigan Department of Treasury, are disclosed in Note 2. Our opinions are not modified with respect to this matter.

Prior Period Adjustment

As described in Note 12 to the financial statements, there was an error in the alternative measurement method calculation of the total OPEB liability in the prior year which resulted in a restatement of beginning net position. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

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 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 9, 2024 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 9, 2024

City of Bangor
Managements' Discussion and Analysis
Year Ended June 30, 2023

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, 2023.

Financial Highlights

- The City's total net position increased by \$1,790,931 (24%) as a result of this year's activities. Net position of the governmental activities increased by \$355,007 and net position of the business-type activities increased by \$1,435,924.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$720,855.

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.

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.

**City of Bangor
Managements' Discussion and Analysis
Year Ended June 30, 2023**

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).

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.

**City of Bangor
Managements' Discussion and Analysis
Year Ended June 30, 2023**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position increased by 24% between June 30, 2023 and 2022. In comparison, last year's net position decreased by 5% 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.

Table 1 - Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 1,909,756	\$ 2,568,694	\$ 826,729	\$ 841,595	\$ 2,736,485	\$ 3,410,289
Capital and pension assets	2,883,027	1,690,738	6,143,037	5,314,308	9,026,064	7,005,046
Total assets	4,792,783	4,259,432	6,969,766	6,155,903	11,762,549	10,415,335
Deferred outflows of resources	147,526	40,281	39,979	15,214	187,505	55,495
Current and other liabilities	437,166	871,629	357,804	55,748	794,970	927,377
Long-term liabilities	1,242,458	387,824	681,390	1,547,096	1,923,848	1,934,920
Total liabilities	1,679,624	1,259,453	1,039,194	1,602,844	2,718,818	2,862,297
Deferred inflows of resources	66,989	201,571	16,745	50,391	83,734	251,962
Net Position:						
Net investment in capital assets	1,587,386	1,134,685	5,721,738	4,692,530	7,309,124	5,827,215
Restricted	973,183	850,702	64,533	81,601	1,037,716	932,303
Unrestricted	633,127	853,302	167,535	(256,249)	800,662	597,053
Total net position	\$ 3,193,696	\$ 2,838,689	\$ 5,953,806	\$ 4,517,882	\$ 9,147,502	\$ 7,356,571

Total net position of the City's governmental activities increased by \$355,007 (13%) to \$3,193,696. Unrestricted net position decreased by \$220,175, resulting in an unrestricted net position of \$633,127.

Total net position of our business-type activities increased by \$1,435,924 (32%) to \$5,953,806. Unrestricted net position increased by \$423,784, resulting in an unrestricted net position of \$167,535.

Changes in Net Position

The City's total revenues for 2023 were \$4,391,194 (26% increase from prior year). The total cost of all programs and services was \$3,454,180 (10% decrease from prior year).

Charges for services represented 36% and 42% in 2023 and 2022, respectively; property taxes represented 20% and 30% percent in 2023 and 2022, respectively; and state shared revenue were 13% and 20% in 2023 and 2022, respectively, of total revenues.

The provisions of public safety and public works represented 30% and 46% in 2023 and 2022, respectively, and water and sewer utility services represented 43% (36% in 2022) of all costs in 2023. General government services represented 16% of all costs (16% in 2022) in 2023.

**City of Bangor
Managements' Discussion and Analysis
Year Ended June 30, 2023**

Table 2 - Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Program revenues:						
Charges for services	\$ 420,256	\$ 435,723	\$ 1,142,952	\$ 1,024,903	\$ 1,563,208	\$ 1,460,626
Operating grants and contributions	218,427	220,502	-	4,513	218,427	225,015
Capital grants and contributions	-	-	1,001,316	-	1,001,316	-
General revenues:						
Property taxes	873,105	878,533	-	-	873,105	878,533
State-shared revenue	586,028	687,769	-	-	586,028	687,769
Interest revenue	7,732	7,263	-	-	7,732	7,263
Miscellaneous	24,014	9,981	117,364	211,690	141,378	221,671
Total revenues	<u>2,129,562</u>	<u>2,239,771</u>	<u>2,261,632</u>	<u>1,241,106</u>	<u>4,391,194</u>	<u>3,480,877</u>
Expenses:						
General government	535,590	601,825	-	-	535,590	601,825
Public safety	718,241	633,322	-	-	718,241	633,322
Public works	304,098	1,130,881	-	-	304,098	1,130,881
Health and welfare	28,298	16,670	-	-	28,298	16,670
Community and economic development	77,466	-	-	-	77,466	-
Recreation and culture	261,849	84,608	-	-	261,849	84,608
Interest and fiscal charges on long-term debt	29,658	4,351	-	-	29,658	4,351
Sewer	-	-	891,418	837,244	891,418	837,244
Water	-	-	607,562	540,498	607,562	540,498
Total expenses	<u>1,955,200</u>	<u>2,471,657</u>	<u>1,498,980</u>	<u>1,377,742</u>	<u>3,454,180</u>	<u>3,849,399</u>
Change in net position	\$ 174,362	\$ (231,886)	\$ 762,652	\$ (136,636)	\$ 937,014	\$ (368,522)

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

Governmental Activities

In 2023, revenues exceeded expenses. Total revenues decreased \$110,209 (5%), while total expenses decreased \$516,457 (21%). 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	
	2023	2022	2023	2022
General government	\$ 535,590	\$ 601,825	\$ (368,503)	\$ (356,068)
Public safety	718,241	633,322	(652,197)	(577,332)
Public works	304,098	1,130,881	(114,929)	(798,821)
Other	397,271	105,629	(180,888)	(83,211)
	<u>\$ 1,955,200</u>	<u>\$ 2,471,657</u>	<u>\$ (1,316,517)</u>	<u>\$ (1,815,432)</u>

**City of Bangor
Managements' Discussion and Analysis
Year Ended June 30, 2023**

Business-Type Activities

In 2023, total revenues increased \$1,020,526 (82%), while expenses increased by \$121,238 (9%). 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.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

As of June 30, 2023, the City's governmental funds (as presented on page 3 - 3) reported a combined fund balance of \$1,217,430 of which \$30,958 is non spendable and \$509,912 is restricted as to use, leaving an unassigned fund balance of \$676,560.

The General Fund is the primary operating fund of the City. At the end of the fiscal year, its fund balance was \$745,932, an decrease of \$342,646, as revenues of \$1,538,969 were less than expenditures of \$1,801,615.

Enterprise Funds

As of June 30, 2023, the City's enterprise funds (as presented starting on page 3 - 7) reported combined net position of \$6,062,266, an increase of \$1,483,302.

The Sewer Fund accounts for operation and maintenance of the sewage collection system. At the end of the fiscal year, its net position was \$4,923,973, including unrestricted net deficit of (\$156,321). The fund reported a net increase in net position of \$1,028,193.

The Water Fund accounts for operation and maintenance of the water distribution system. At the end of the fiscal year, its net position was \$1,138,293 including unrestricted net position of \$432,316. The fund reported a net increase in net position of \$455,109.

General Fund Budgetary Highlights

The City amended the budget of the General Fund in 2023 to reflect anticipated changes in revenues and expenditure levels. Actual total revenues (\$1,538,969) were more than the total budget amount by \$216,269 (16%); and actual total expenditures (\$1,801,615) were greater than the total budget by \$336,017. 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, 2023**

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, 2023, amounted to \$8,804,080 (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	
	2023	2022	2023	2022	2023	2022
Land	\$ 86,612	\$ 62,412	\$ 60,927	\$ 60,927	\$ 147,539	\$ 123,339
Construction-in-progress	-	-	1,104,603	-	1,104,603	-
Land improvements	376,196	160,900	283,034	292,695	659,230	453,595
Infrastructure	1,118,928	483,873	-	-	1,118,928	483,873
Buildings, additions and improvements	394,276	342,889	52,360	-	446,636	342,889
Machinery and equipment	608,163	49,382	2,867	6,943	611,030	56,325
Vehicles	121,266	103,595	-	-	121,266	103,595
Water system	-	-	591,983	636,140	591,983	636,140
Sewer system	-	-	4,002,865	4,195,680	4,002,865	4,195,680
Total	<u>\$ 2,705,441</u>	<u>\$ 1,203,051</u>	<u>\$ 6,098,639</u>	<u>\$ 5,192,385</u>	<u>\$ 8,804,080</u>	<u>\$ 6,395,436</u>

Debt

At the end of the fiscal year, the City had total long-term bonds and notes outstanding in the amount of \$973,950, which represents a increase of \$400,584 (70%). 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	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ -	\$ -	\$ 380,000	\$ 505,000	\$ 380,000	\$ 505,000
Installment purchase agreements	524,105	-	-	-	524,105	-
Notes from direct borrowings	593,950	68,366	-	-	593,950	68,366
Total	<u>\$ 1,118,055</u>	<u>\$ 68,366</u>	<u>\$ 380,000</u>	<u>\$ 505,000</u>	<u>\$ 1,498,055</u>	<u>\$ 573,366</u>

Economic Factors and Next Year's Budgets and Rates

Economic Factors

As we prepare for the upcoming fiscal year, several economic factors are shaping our budgetary decisions and strategic initiatives for the City of Bangor:

- 1. Inflation and Cost of Living:** The city has experienced notable inflationary pressures over the past year, leading to increased costs for public services, construction materials, and operational expenses. The Consumer Price Index (CPI) has seen a 4.1% increase, impacting both the cost of goods and wages. We are adjusting our budget to accommodate these higher costs while striving to maintain service levels for our residents.
- 2. Interest Rates:** Recent increases in interest rates by the Federal Reserve have affected municipal borrowing costs. This rise in rates impacts our ability to finance capital projects affordably. We are carefully managing our debt portfolio and exploring refinancing options to minimize the impact on our long-term financial stability.

**City of Bangor
Managements' Discussion and Analysis
Year Ended June 30, 2023**

3. **Economic Growth and Employment:** Bangor's local economy has shown signs of resilience with moderate growth in employment and business activity. However, challenges remain in certain sectors, such as retail and tourism. We are focusing on economic development initiatives to attract new businesses and support existing ones, aiming to bolster the local job market and stimulate economic activity.
4. **State and Federal Funding:** The city is closely monitoring changes in state and federal funding allocations. Recent shifts in federal policies and state budget adjustments could impact our funding levels for key programs and infrastructure projects. We are actively engaging with state and federal representatives to advocate for fair and adequate funding.

Next Year's Budget and Rates

In response to the current economic climate, the City of Bangor's budget for the next fiscal year reflects a balanced approach to addressing challenges while planning for future growth:

1. **Revenue Projections:** The budget anticipates a 3% increase in revenue, driven by improvements in property tax assessments, modest increases in local business taxes, and enhanced grant funding. We are also exploring new revenue sources, such as public-private partnerships and service fees.
2. **Expense Management:** To manage inflation and rising costs, we have implemented a series of cost-control measures. Key areas of focus include optimizing procurement processes, enhancing energy efficiency in municipal buildings, and renegotiating service contracts. We are also prioritizing essential services and deferring non-critical expenditures.
3. **Capital Expenditures:** Planned capital expenditures for the upcoming year total 5%, with a focus on critical infrastructure improvements and community development projects. Notable projects include the Hamilton Avenue Bridge replacement, Water Line Replacement, and road repairs, aimed at enhancing the quality of life for Bangor residents.
4. **Rate Adjustments:** To address increased operational costs, we are proposing adjustments to water and sewer rates. These changes are designed to ensure that our service delivery remains sustainable while keeping rate increases as minimal as possible.
5. **Financial Performance Targets:** The budget includes targets for key financial metrics, such as maintaining a balanced budget, achieving a 1% increase in reserve funds, and improving efficiency in public service delivery. Regular monitoring and reporting will be conducted to ensure that we meet these targets and maintain financial health.

The City of Bangor remains committed to prudent financial management and responsive governance. We are confident that our strategic approach will allow us to navigate economic uncertainties effectively while continuing to provide high-quality services to our community.

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:

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

City of Bangor
Statement of Net Position
June 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,346,039	\$ 435,061	\$ 1,781,100	\$ 116,402
Investments	599	1,290	1,889	-
Receivables				
Accounts	32,190	-	32,190	-
Taxes	100	-	100	-
Utility bills	-	220,965	220,965	-
Due from other units of government	409,503	243,031	652,534	-
Internal balances	86,324	(86,324)	-	-
Prepaid items	35,001	12,706	47,707	-
Capital assets not being depreciated	86,612	1,165,530	1,252,142	63,923
Capital assets, net of accumulated depreciation	2,618,829	4,933,109	7,551,938	627,864
Net pension asset	177,586	44,398	221,984	-
Total assets	<u>4,792,783</u>	<u>6,969,766</u>	<u>11,762,549</u>	<u>808,189</u>
Deferred outflows of resources				
Bond refundings	-	3,099	3,099	-
Pension related	147,526	36,880	184,406	-
Total deferred outflows of resources	<u>147,526</u>	<u>39,979</u>	<u>187,505</u>	<u>-</u>
Liabilities				
Checks written against future deposits	281,716	94,025	375,741	-
Accounts payable	61,935	231,243	293,178	11,893
Payroll and other liabilities	10,524	2,497	13,021	4,011
Interest payable	8,820	-	8,820	-
Customer deposits	-	30,039	30,039	-
Unearned revenue	74,171	-	74,171	-
Noncurrent liabilities				
Debt due within one year	183,684	125,000	308,684	52,300
Debt due in more than one year	968,749	255,000	1,223,749	82,474
Total OPEB liability	90,025	301,390	391,415	-
Total liabilities	<u>1,679,624</u>	<u>1,039,194</u>	<u>2,718,818</u>	<u>150,678</u>
Deferred inflows of resources				
Pension related	66,989	16,745	83,734	-
Net position				
Net investment in capital assets	1,587,386	5,721,738	7,309,124	557,013
Restricted for				
Roads	534,957	-	534,957	-
Public safety	87,052	-	87,052	-
Senior services	17,570	-	17,570	-
Library maintenance	75,481	-	75,481	-
Pensions	258,123	64,533	322,656	-
Unrestricted	633,127	167,535	800,662	100,498
Total net position	<u>\$ 3,193,696</u>	<u>\$ 5,953,806</u>	<u>\$ 9,147,502</u>	<u>\$ 657,511</u>

See Accompanying Notes to the Financial Statements

City of Bangor
Statement of Activities
For the Year Ended June 30, 2023

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	\$ 535,590	\$ 165,043	\$ 2,044	\$ -	\$ (368,503)	\$ -	\$ (368,503)	\$ -
Public safety	718,241	66,044	-	-	(652,197)	-	(652,197)	-
Public works	304,098	189,169	-	-	(114,929)	-	(114,929)	-
Health and welfare	28,298	-	-	-	(28,298)	-	(28,298)	-
Community and economic development	77,466	-	212,033	-	134,567	-	134,567	-
Recreation and culture	261,849	-	4,350	-	(257,499)	-	(257,499)	-
Interest and fiscal charges on long-term debt	29,658	-	-	-	(29,658)	-	(29,658)	-
Total governmental activities	<u>1,955,200</u>	<u>420,256</u>	<u>218,427</u>	<u>-</u>	<u>(1,316,517)</u>	<u>-</u>	<u>(1,316,517)</u>	<u>-</u>
Business-type activities								
Sewer	891,418	534,296	-	906,316	-	549,194	549,194	-
Water	607,562	608,656	-	95,000	-	96,094	96,094	-
Total business-type activities	<u>1,498,980</u>	<u>1,142,952</u>	<u>-</u>	<u>1,001,316</u>	<u>-</u>	<u>645,288</u>	<u>645,288</u>	<u>-</u>
Total primary government	<u>\$ 3,454,180</u>	<u>\$ 1,563,208</u>	<u>\$ 218,427</u>	<u>\$ 1,001,316</u>	<u>(1,316,517)</u>	<u>645,288</u>	<u>(671,229)</u>	<u>-</u>
Component units								
Economic Development Authority	55,938	-	-	-	-	-	-	(55,938)
Downtown Development Authority	174,941	-	-	-	-	-	-	(174,941)
Total component units	<u>\$ 230,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(230,879)</u>
General revenues								
Property taxes					873,105	-	873,105	228,024
Unrestricted state-shared revenue					586,028	-	586,028	-
Unrestricted investment earnings					7,732	-	7,732	-
Miscellaneous					24,014	117,364	141,378	77,596
Total general revenues					<u>1,490,879</u>	<u>117,364</u>	<u>1,608,243</u>	<u>305,620</u>
Change in net position					<u>174,362</u>	<u>762,652</u>	<u>937,014</u>	<u>74,741</u>
Net position - beginning of year					2,838,689	4,517,882	7,356,571	582,770
Prior period adjustment					<u>180,645</u>	<u>673,272</u>	<u>853,917</u>	<u>-</u>
Net position - beginning of year, as restated					<u>3,019,334</u>	<u>5,191,154</u>	<u>8,210,488</u>	<u>582,770</u>
Net position - end of year					<u>\$ 3,193,696</u>	<u>\$ 5,953,806</u>	<u>\$ 9,147,502</u>	<u>\$ 657,511</u>

See Accompanying Notes to the Financial Statements

City of Bangor
Governmental Funds
Balance Sheet
June 30, 2023

	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Streets	Local Streets		
Assets					
Cash and cash equivalents	\$ 763,762	\$ 298,782	\$ 140,735	\$ 142,760	\$ 1,346,039
Investments	599	-	-	-	599
Receivables					
Accounts	32,059	-	-	131	32,190
Taxes	-	-	100	-	100
Due from other units of government	150,185	145,328	83,837	30,153	409,503
Due from other funds	3	15,045	9,113	36,226	60,387
Prepaid items	25,077	2,941	2,940	-	30,958
Total assets	<u>\$ 971,685</u>	<u>\$ 462,096</u>	<u>\$ 236,725</u>	<u>\$ 209,270</u>	<u>\$ 1,879,776</u>
Liabilities					
Checks written against future deposits	\$ -	\$ -	\$ -	\$ 72,472	\$ 72,472
Accounts payable	49,684	6,245	197	990	57,116
Due to other funds	45,294	61,991	95,431	-	202,716
Payroll and other liabilities	9,432	-	-	-	9,432
Unearned revenue	74,171	-	-	-	74,171
Total liabilities	<u>178,581</u>	<u>68,236</u>	<u>95,628</u>	<u>73,462</u>	<u>415,907</u>
Deferred inflows of resources					
Unavailable revenue - receivables	47,172	145,332	53,935	-	246,439
Fund balances					
Non-spendable					
Prepaid items	25,077	2,941	2,940	-	30,958
Restricted for					
Roads	-	245,587	84,222	-	329,809
Public safety	-	-	-	87,052	87,052
Senior services	-	-	-	17,570	17,570
Library maintenance	-	-	-	75,481	75,481
Unassigned (deficit)	720,855	-	-	(44,295)	676,560
Total fund balances	<u>745,932</u>	<u>248,528</u>	<u>87,162</u>	<u>135,808</u>	<u>1,217,430</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 971,685</u>	<u>\$ 462,096</u>	<u>\$ 236,725</u>	<u>\$ 209,270</u>	<u>\$ 1,879,776</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, 2023

Total fund balances for governmental funds	\$ 1,217,430
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	86,612
Capital assets, net of accumulated depreciation	1,895,096
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	
	246,439
Net pension asset not reported in the funds	
	177,586
Deferred outflows (inflows) of resources.	
Deferred outflows of resources resulting from net pension asset	147,526
Deferred inflows of resources resulting from net pension asset	(66,989)
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
Accrued interest	(8,820)
Compensated absences	(34,378)
Bonds, notes, premiums and discounts	(593,950)
Total OPEB liability	(86,111)
Internal service funds are included as part of governmental activities.	213,255
Net position of governmental activities	\$ 3,193,696

City of Bangor
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Streets	Local Streets		
Revenues					
Taxes	\$ 771,392	\$ -	\$ 77,436	\$ 129,589	\$ 978,417
Licenses and permits	27,636	-	-	-	27,636
Federal grants	191,127	-	-	-	191,127
State grants	289,094	234,052	86,838	-	609,984
Local contributions	-	-	-	4,000	4,000
Charges for services	193,423	-	-	-	193,423
Fines and forfeitures	16,674	-	-	-	16,674
Rental income	19,016	-	-	-	19,016
Investment income	7,732	-	-	-	7,732
Other revenue	22,875	500	100	-	23,475
Total revenues	<u>1,538,969</u>	<u>234,552</u>	<u>164,374</u>	<u>133,589</u>	<u>2,071,484</u>
Expenditures					
Current					
General government	557,866	-	-	-	557,866
Public safety	566,529	-	-	119,768	686,297
Public works	324,056	334,943	470,379	-	1,129,378
Health and welfare	-	-	-	28,298	28,298
Community and economic development	77,466	-	-	-	77,466
Recreation and culture	275,698	-	-	978	276,676
Debt service					
Principal retirement	-	28,025	28,025	-	56,050
Interest and fiscal charges	-	10,563	10,563	-	21,126
Total expenditures	<u>1,801,615</u>	<u>373,531</u>	<u>508,967</u>	<u>149,044</u>	<u>2,833,157</u>
Excess (deficiency) of revenues over expenditures	<u>(262,646)</u>	<u>(138,979)</u>	<u>(344,593)</u>	<u>(15,455)</u>	<u>(761,673)</u>
Other financing sources (uses)					
Transfers out	(80,000)	-	-	-	(80,000)
Issuance of debt	-	400,000	250,000	-	650,000
Total other financing sources (uses)	<u>(80,000)</u>	<u>400,000</u>	<u>250,000</u>	<u>-</u>	<u>570,000</u>
Net change in fund balances	(342,646)	261,021	(94,593)	(15,455)	(191,673)
Fund balances (deficit) - beginning of year	<u>1,088,578</u>	<u>(12,493)</u>	<u>181,755</u>	<u>151,263</u>	<u>1,409,103</u>
Fund balances - end of year	<u>\$ 745,932</u>	<u>\$ 248,528</u>	<u>\$ 87,162</u>	<u>\$ 135,808</u>	<u>\$ 1,217,430</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, 2023

Net change in fund balances - total governmental funds	\$ (191,673)
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	(154,472)
Capital outlay	1,053,092
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	58,078
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	(8,532)
Compensated absences	(5,733)
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 the net pension asset	(310,101)
Net change in the deferred outflow of resources related to the net pension asset	107,245
Net change in the deferred inflow of resources related to the net pension asset	134,582
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 on the governmental funds equals actual OPEB contributions.	
Net change in the total OPEB liability	19,267
Long-term liabilities and related transactions applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Debt issued	(650,000)
Repayments of long-term debt	56,050
Internal service funds are also included as governmental activities	66,559
Change in net position of governmental activities	\$ 174,362

City of Bangor
Proprietary Funds
Statement of Net Position
June 30, 2023

	Enterprise Funds			Internal Service Fund
	Sewer	Water	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ 435,061	\$ 435,061	\$ -
Investments	654	636	1,290	-
Receivables				
Utility bills	95,657	125,308	220,965	-
Due from other units of government	148,031	95,000	243,031	-
Due from other funds	11,068	11,068	22,136	156,419
Prepaid items	5,441	7,265	12,706	4,043
Total current assets	<u>260,851</u>	<u>674,338</u>	<u>935,189</u>	<u>160,462</u>
Noncurrent assets				
Capital assets not being depreciated	1,110,428	55,102	1,165,530	-
Capital assets, net of accumulated depreciation	4,314,500	618,609	4,933,109	723,733
Net pension asset	22,200	22,198	44,398	-
Total noncurrent assets	<u>5,447,128</u>	<u>695,909</u>	<u>6,143,037</u>	<u>723,733</u>
Total assets	<u>5,707,979</u>	<u>1,370,247</u>	<u>7,078,226</u>	<u>884,195</u>
Deferred outflows of resources				
Bond refundings	3,099	-	3,099	-
Pension related	18,439	18,441	36,880	-
Total deferred outflows of resources	<u>21,538</u>	<u>18,441</u>	<u>39,979</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

City of Bangor
Proprietary Funds
Statement of Net Position
June 30, 2023

	Enterprise Funds			Internal Service Fund
	Sewer	Water	Total	
Liabilities				
Current liabilities				
Checks written against future deposits	\$ 94,025	\$ -	\$ 94,025	\$ 209,244
Accounts payable	167,998	63,245	231,243	4,819
Due to other funds	-	-	-	36,226
Payroll and other liabilities	2,497	-	2,497	1,092
Customer deposits	-	30,039	30,039	-
Current portion of long-term liabilities	125,000	-	125,000	91,434
Total current liabilities	<u>389,520</u>	<u>93,284</u>	<u>482,804</u>	<u>342,815</u>
Noncurrent liabilities				
Long-term liabilities	255,000	-	255,000	432,671
Total OPEB liability	152,652	148,738	301,390	3,914
Total noncurrent liabilities	<u>407,652</u>	<u>148,738</u>	<u>556,390</u>	<u>436,585</u>
Total liabilities	<u>797,172</u>	<u>242,022</u>	<u>1,039,194</u>	<u>779,400</u>
Deferred inflows of resources				
Pension related	8,372	8,373	16,745	-
Net position				
Net investment in capital assets	5,048,027	673,711	5,721,738	199,628
Restricted for				
Pensions	32,267	32,266	64,533	-
Unrestricted (deficit)	(156,321)	432,316	275,995	(94,833)
Total net position	<u>\$ 4,923,973</u>	<u>\$ 1,138,293</u>	<u>6,062,266</u>	<u>\$ 104,795</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>(108,460)</u>	
Net position of business-type activities			<u>\$ 5,953,806</u>	

City of Bangor
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2023

	Enterprise Funds			Internal Service Fund
	Sewer	Water	Total	
Operating revenue				
Customer fees	\$ 534,296	\$ 608,656	\$ 1,142,952	\$ -
Billings to other funds	-	-	-	163,100
Other revenue	115,099	2,265	117,364	1,200
Total operating revenue	<u>649,395</u>	<u>610,921</u>	<u>1,260,316</u>	<u>164,300</u>
Operating expenses				
Personnel services	98,558	113,786	212,344	39,507
Supplies	15,792	32,804	48,596	51,193
Contractual services	158,050	113,179	271,229	12,424
Utilities	50,177	26,638	76,815	-
Repairs and maintenance	255,556	153,088	408,644	38,379
Other expenses	75,790	97,223	173,013	18,466
Depreciation	204,862	45,847	250,709	38,549
Total operating expenses	<u>858,785</u>	<u>582,565</u>	<u>1,441,350</u>	<u>198,518</u>
Operating income (loss)	<u>(209,390)</u>	<u>28,356</u>	<u>(181,034)</u>	<u>(34,218)</u>
Nonoperating revenue (expenses)				
Federal grants	906,316	95,000	1,001,316	-
Interest expense	(10,252)	-	(10,252)	(26,601)
Total nonoperating revenues (expenses)	<u>896,064</u>	<u>95,000</u>	<u>991,064</u>	<u>(26,601)</u>
Income (loss) before transfers	686,674	123,356	810,030	(60,819)
Transfers in	-	-	-	80,000
Change in net position	<u>686,674</u>	<u>123,356</u>	<u>810,030</u>	<u>19,181</u>
Net position - beginning of year	3,895,780	683,184		71,767
Prior period adjustment	341,519	331,753		13,847
Net position - beginning of year (restated)	<u>4,237,299</u>	<u>1,014,937</u>		<u>85,614</u>
Net position - end of year	<u>\$ 4,923,973</u>	<u>\$ 1,138,293</u>		<u>\$ 104,795</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>(47,378)</u>	
Change in net position of business-type activities			<u>\$ 762,652</u>	

See Accompanying Notes to the Financial Statements

City of Bangor
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2023

	Enterprise Funds			Internal Service Fund
	Sewer	Water	Total	
Cash flows from operating activities				
Receipts from customers	\$ 463,942	\$ 494,404	\$ 958,346	\$ -
Receipts from interfund users	-	-	-	163,300
Receipts from other funds	-	-	-	123,728
Payments to other funds	(38,304)	(38,304)	(76,608)	-
Payments to suppliers	(363,682)	(326,509)	(690,191)	-
Payments to employees	(98,558)	(113,786)	(212,344)	(39,507)
Payments for interfund services used	(60,000)	(67,100)	(127,100)	-
Net cash provided (used) by operating activities	<u>(96,602)</u>	<u>(51,295)</u>	<u>(147,897)</u>	<u>247,521</u>
Cash flows from noncapital financing activities				
Transfer from other funds	-	-	-	80,000
Federal grant	906,316	95,000	1,001,316	-
Net cash provided (used) by noncapital financing activities	<u>906,316</u>	<u>95,000</u>	<u>1,001,316</u>	<u>80,000</u>
Cash flows from capital and related financing activities				
Proceeds from capital debt	-	-	-	1,214,551
Purchases/construction of capital assets	(1,014,712)	(46,180)	(1,060,892)	(642,319)
Principal and interest paid on long-term debt	(135,252)	-	(135,252)	(785,413)
Net cash provided (used) by capital and related financing activities	<u>(1,149,964)</u>	<u>(46,180)</u>	<u>(1,196,144)</u>	<u>(213,181)</u>
Net change in cash and cash equivalents	(340,250)	(2,475)	(342,725)	114,340
Cash and cash equivalents - beginning of year	<u>340,250</u>	<u>437,536</u>	<u>777,786</u>	<u>(114,340)</u>
Cash and cash equivalents - end of year	<u>\$ -</u>	<u>\$ 435,061</u>	<u>\$ 435,061</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (209,390)	\$ 28,356	\$ (181,034)	\$ (34,218)
Adjustments to reconcile operating income to net cash from operating activities				
Depreciation expense	204,862	45,847	250,709	38,549
Changes in assets and liabilities				
Receivables (net)	(43,740)	(32,171)	(75,911)	-
Due from other units of government	(141,713)	(88,696)	(230,409)	-
Due from other funds	(6,304)	(6,304)	(12,608)	-
Prepaid items	3,501	4,190	7,691	(1,000)
Net pension asset	38,762	38,763	77,525	7,585
Pension related deferred outflows of resources	(13,405)	(13,406)	(26,811)	-
Accounts payable	155,660	51,853	207,513	-
Accrued and other liabilities	(1,857)	(1,975)	(3,832)	-
Due to other funds	(32,000)	(32,000)	(64,000)	205,846
Due to other units of government	-	-	-	(365)
Unearned revenue	-	-	-	32,000
Customer deposits payable	-	4,350	4,350	-
Total OPEB liability	(34,155)	(33,279)	(67,434)	-
Pension related deferred inflows of resources	(16,823)	(16,823)	(33,646)	(876)
Net cash provided (used) by operating activities	<u>\$ (96,602)</u>	<u>\$ (51,295)</u>	<u>\$ (147,897)</u>	<u>\$ 247,521</u>

See Accompanying Notes to the Financial Statements

City of Bangor
Fiduciary Fund
Statement of Fiduciary Net Position
June 30, 2023

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	\$ 25,413
Liabilities	
Due to other units of government	<u>25,413</u>
Net Position	<u>\$ -</u>

City of Bangor
Fiduciary Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2023

	<u>Custodial Fund</u>
Additions	
Property tax collections for other governments	\$ 2,274,547
Deductions	
Payments of property tax to other governments	<u>2,274,547</u>
Change in net position	-
Net position - beginning of year	<u>-</u>
Net position - end of year	<u>\$ -</u>

City of Bangor
Component Units
Statement of Net Position
June 30, 2023

	Economic Development Corporation	Downtown Development Authority	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 36,950	\$ 79,452	\$ 116,402
Noncurrent assets			
Capital assets not being depreciated	-	63,923	63,923
Capital assets, net of accumulated depreciation	119,636	508,228	627,864
Total noncurrent assets	119,636	572,151	691,787
Total assets	156,586	651,603	808,189
Liabilities			
Current liabilities			
Accounts payable	11,893	-	11,893
Payroll and other liabilities	-	4,011	4,011
Current portion of long-term liabilities	-	52,300	52,300
Total current liabilities	11,893	56,311	68,204
Noncurrent liabilities			
Long-term liabilities	-	82,474	82,474
Total liabilities	11,893	138,785	150,678
Net position			
Net investment in capital assets	119,636	437,377	557,013
Unrestricted	25,057	75,441	100,498
Total net position	\$ 144,693	\$ 512,818	\$ 657,511

See Accompanying Notes to the Financial Statements

City of Bangor
Component Units
Statement of Activities
For the Year Ended June 30, 2023

	Economic Development Corporation	Downtown Development Authority	Total
Expenses			
Community and economic development	\$ 55,938	\$ 168,874	\$ 224,812
Interest and fiscal charges on long-term debt	-	6,067	6,067
Total expenses	<u>55,938</u>	<u>174,941</u>	<u>230,879</u>
General revenues			
Property taxes	53,431	174,593	228,024
Miscellaneous	77,596	-	77,596
Total general revenues	<u>131,027</u>	<u>174,593</u>	<u>305,620</u>
Change in net position	75,089	(348)	74,741
Net position - beginning of year	<u>69,604</u>	<u>513,166</u>	<u>582,770</u>
Net position - end of year	<u>\$ 144,693</u>	<u>\$ 512,818</u>	<u>\$ 657,511</u>

See Accompanying Notes to the Financial Statements

City of Bangor
Notes to the Financial Statements
June 30, 2023

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, 2023, financial statements as the Bangor Housing Commission has not submitted an audit to the Michigan Department of Treasury since fiscal year 2021.

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, 2023, the City did not contribute toward the District's operations. There is no equity interest by any participating unit in the District. The City is unaware of any

City of Bangor
Notes to the Financial Statements
June 30, 2023

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, 2023, 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 fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

City of Bangor
Notes to the Financial Statements
June 30, 2023

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.

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 system. Operating expenses for the 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.

City of Bangor
Notes to the Financial Statements
June 30, 2023

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 2022 taxable valuation of the government totaled \$37,654,443. 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	\$ 536,188
Seniors	1.0000	37,654
Roads	1.4874	56,007
Cemetery	0.4958	18,669
Museum	0.4958	18,669
Police	3.0000	90,953
Fire	2.0000	60,635

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

Inventories and prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the 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.

City of Bangor
Notes to the Financial Statements
June 30, 2023

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 may report deferred outflows of resources as a result of the following:

- Pension and OPEB earnings which are 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 and OPEB expense.
- Changes in assumptions and experience differences relating to the net pension asset and total OPEB liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan.
- Pension and OPEB contributions made after the measurement date. This amount will reduce the net pension asset and total OPEB liability in the following year.
- Deferred amounts on bond refundings represent the difference between the reacquisition price and the net carrying amount of the prior debt. This amount is amortized over the life of the related 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.

City of Bangor
Notes to the Financial Statements
June 30, 2023

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 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. The City may report deferred inflows of resources as a result of the following:

- Unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.
- Lease revenue related to leases receivable which is being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease.
- Pension and OPEB earnings which are 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 and OPEB expense.
- Changes in assumptions and experience differences relating to the net pension asset and total OPEB liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan.
- Deferred amounts on bond refundings represent the difference between the reacquisition price and the net carrying amount of the prior debt. This amount is amortized over the life of the related debt.

Fund Balances – In the fund financial statements, governmental funds report fund balances 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.

City of Bangor
Notes to the Financial Statements
June 30, 2023

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. 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.

Upcoming Accounting and Reporting Changes

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.

Statement No. 102, *Certain Risk Disclosures*, requires organizations to provide users of the financial statements with essential information about risks related to the organization's vulnerabilities due to certain concentrations or constraints. This statement is effective for the year ending June 30, 2025.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an organization's accountability while also addressing certain application issues. This statement includes changes to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. This statement is effective for the year ending June 30, 2026.

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
June 30, 2023

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.

Expenditures in Excess of Appropriations

	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
General Fund			
Public works	\$ 173,000	\$ 324,056	\$ 151,056
Community and economic development	-	77,466	77,466
Recreation and culture	30,000	275,698	245,698
Major Streets Fund			
Debt service	-	38,588	38,588
Local Streets Fund			
Debt service	-	38,588	38,588

Fund Deficits

As of June 30, 2023, the City has an unrestricted deficit net position in the Sewer Fund of \$156,321, an unrestricted deficit net position in the Motor Vehicle Pool Fund of \$94,833 and an unassigned deficit fund balance in the Bangor Fire District Fund of \$44,295. Deficit elimination plans are required to be submitted to the Michigan Department of Treasury as current assets do not exceed current liabilities in the Sewer Fund and Motor Vehicle Pool Fund and deferred inflows do not cover the deficit in the Bangor Fire District Fund. The required deficit eliminations were submitted to the State subsequent to the issuance of the audit.

City of Bangor
Notes to the Financial Statements
June 30, 2023

Note 3 - Deposits and Investments

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

	Cash and Cash Equivalents	Investments	Total
Governmental activities	\$ 1,346,039	\$ 599	\$ 1,346,638
Business-type activities	435,061	1,290	436,351
Total	1,781,100	1,889	1,782,989
Fiduciary fund	25,413	-	25,413
Component units	116,402	-	116,402
Total	<u>\$ 1,922,915</u>	<u>\$ 1,889</u>	<u>\$ 1,924,804</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)	\$ 1,780,960	\$ 25,413	\$ 116,402	\$ 1,922,775
Investments in securities, mutual funds and similar vehicles	1,889	-	-	1,889
Petty cash and cash on hand	140	-	-	140
	<u>\$ 1,782,989</u>	<u>\$ 25,413</u>	<u>\$ 116,402</u>	<u>\$ 1,924,804</u>

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, \$1,136,901 was exposed to custodial credit risk because it was uninsured and uncollateralized.

City of Bangor
Notes to the Financial Statements
June 30, 2023

Note 4 - Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 62,412	\$ 24,200	\$ -	\$ 86,612
Capital assets being depreciated				
Land improvements	582,818	239,531	-	822,349
Infrastructure	1,582,316	737,548	-	2,319,864
Buildings, additions and improvements	777,389	70,466	-	847,855
Machinery and equipment	501,919	573,145	-	1,075,064
Vehicles	573,285	50,521	-	623,806
Total capital assets being depreciated	<u>4,017,727</u>	<u>1,671,211</u>	<u>-</u>	<u>5,688,938</u>
Less accumulated depreciation for				
Land improvements	421,918	24,235	-	446,153
Infrastructure	1,098,443	102,493	-	1,200,936
Buildings, additions and improvements	434,500	19,079	-	453,579
Machinery and equipment	452,537	14,364	-	466,901
Vehicles	469,690	32,850	-	502,540
Total accumulated depreciation	<u>2,877,088</u>	<u>193,021</u>	<u>-</u>	<u>3,070,109</u>
Net capital assets being depreciated	<u>1,140,639</u>	<u>1,478,190</u>	<u>-</u>	<u>2,618,829</u>
Governmental activities capital assets, net	<u>\$ 1,203,051</u>	<u>\$ 1,502,390</u>	<u>\$ -</u>	<u>\$ 2,705,441</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 60,927	\$ -	\$ -	\$ 60,927
Construction-in-progress	-	1,104,603	-	1,104,603
Total capital assets not being depreciated	<u>60,927</u>	<u>1,104,603</u>	<u>-</u>	<u>1,165,530</u>
Capital assets being depreciated				
Land improvements	756,247	-	-	756,247
Buildings, additions and improvements	-	52,360	-	52,360
Machinery and equipment	124,231	-	-	124,231
Water system	1,765,487	-	-	1,765,487
Sewer system	6,925,632	-	-	6,925,632
Total capital assets being depreciated	<u>9,571,597</u>	<u>52,360</u>	<u>-</u>	<u>9,623,957</u>
Less accumulated depreciation for				
Land improvements	463,552	9,661	-	473,213
Machinery and equipment	117,288	4,076	-	121,364
Water system	1,129,347	44,157	-	1,173,504
Sewer system	2,729,952	192,815	-	2,922,767
Total accumulated depreciation	<u>4,440,139</u>	<u>250,709</u>	<u>-</u>	<u>4,690,848</u>
Net capital assets being depreciated	<u>5,131,458</u>	<u>(198,349)</u>	<u>-</u>	<u>4,933,109</u>
Business-type capital assets, net	<u>\$ 5,192,385</u>	<u>\$ 906,254</u>	<u>\$ -</u>	<u>\$ 6,098,639</u>

City of Bangor
Notes to the Financial Statements
June 30, 2023

Capital assets activity of the component units for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Units				
Capital assets not being depreciated				
Land	\$ 128,259	\$ -	\$ 64,336	\$ 63,923
Capital assets being depreciated				
Land improvements	662,095	122,873	-	784,968
Buildings, additions and improvements	103,504	-	-	103,504
Total capital assets being depreciated	765,599	122,873	-	888,472
Less accumulated depreciation for				
Land improvements	187,642	47,837	-	235,479
Buildings, additions and improvements	17,133	7,996	-	25,129
Total accumulated depreciation	204,775	55,833	-	260,608
Net capital assets being depreciated	560,824	67,040	-	627,864
Component units capital assets, net	\$ 689,083	\$ 67,040	\$ 64,336	\$ 691,787

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

Governmental activities	
General government	\$ 10,813
Public safety	4,634
Public works	106,586
Recreation and culture	32,439
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	38,549
Total governmental activities	193,021
 Business-type activities	
Sewer Fund	204,862
Water Fund	45,847
Total business-type activities	250,709
 Total primary government	 \$ 443,730
 Component units	
Downtown Development Authority	\$ 52,596
Economic Development Corporation	3,237
Total component units	\$ 55,833

City of Bangor
Notes to the Financial Statements
June 30, 2023

Construction Commitments

The City has active construction projects as of June 30, 2023, consisting of the following:

Project	Remaining Commitment
CDBG Sewer Infrastructure	\$ 200,311
Drinking Water Asset Management	233,728
	\$ 434,039

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund				Total
	General Fund	Major Streets Fund	Local Streets Fund	Internal Service Fund	
General Fund	\$ -	\$ 3	\$ -	\$ -	\$ 3
Major Streets Fund	14,045	-	1,000	-	15,045
Local Streets Fund	9,113	-	-	-	9,113
Sewer Fund	11,068	-	-	-	11,068
Water Fund	11,068	-	-	-	11,068
Nonmajor Governmental Funds	-	-	-	36,226	36,226
Internal Service Fund	-	61,988	94,431	-	156,419
	\$ 45,294	\$ 61,991	\$ 95,431	\$ 36,226	\$ 238,942

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.

The details for interfund transfers are as follows:

Transfers In	Transfers Out General Fund
Internal Service Fund	\$ 80,000

Transfers are used to move unrestricted general fund revenues to finance the operations of the Motor Vehicle Pool Internal Service Fund.

City of Bangor
Notes to the Financial Statements
June 30, 2023

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									
MDOT State Infrastructure Bank Loan	\$ 650,000	2032	3.250%	\$57,872 - \$74,746	\$ -	\$ 650,000	\$ 56,050	\$ 593,950	\$ 57,872
Compensated absences									
					28,645	5,733	-	34,378	34,378
Internal service fund obligations									
Installment purchase agreements									
Installment Purchase Agreement - Leaf Vacuum	115,000	2023	-	-	68,366	-	68,366	-	-
Installment Purchase Agreement - 2018 Sewer Vac Truck	312,000	2028	2.500	58,423 - 70,368	-	312,000	54,911	257,089	58,423
Installment Purchase Agreement - 2022 Police Vehicle	151,018	2026	6.990	11,581 - 13,257	-	151,018	113,790	37,228	11,581
Installment Purchase Agreement - 2023 Dump Truck	751,533	2028	8.640	21,430 - 30,059	-	751,533	521,745	229,788	21,430
Total internal service fund obligations					68,366	1,214,551	758,812	524,105	91,434
Total governmental activities					\$ 97,011	\$ 1,870,284	\$ 814,862	\$ 1,152,433	\$ 183,684
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	\$ 505,000	\$ -	\$ 125,000	\$ 380,000	\$ 125,000
Component units									
Notes from direct borrowings and direct placements									
2017 Parking Lot Loan	\$ 375,000	2025	2.29%	\$4,707 - 28,148	\$ 100,615	\$ -	\$ 67,760	\$ 32,855	\$ 28,148
2020 Promissory Note	147,750	2027	3.50	24,152 - 26,837	125,469	-	23,550	101,919	24,152
Total component units					\$ 226,084	\$ -	\$ 91,310	\$ 134,774	\$ 52,300

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		Notes from Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 149,306	\$ 48,278	\$ 125,000	\$ 6,176	\$ 52,300	\$ 4,754
2025	156,660	40,925	125,000	4,144	29,724	3,056
2026	164,410	33,175	130,000	2,112	25,913	1,644
2027	158,397	29,005	-	-	26,837	716
2028	91,150	21,883	-	-	-	-
2029-2032	398,132	35,996	-	-	-	-
	<u>\$ 1,118,055</u>	<u>\$ 209,262</u>	<u>\$ 380,000</u>	<u>\$ 12,432</u>	<u>\$ 134,774</u>	<u>\$ 10,170</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, 2023 is \$3,099.

City of Bangor
Notes to the Financial Statements
June 30, 2023

Note 7 - Net Investment in Capital Assets

The composition of net investment in capital assets as of year end, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets			
Capital assets not being depreciated	\$ 86,612	\$ 1,165,530	\$ 63,923
Capital assets, net of accumulated depreciation	2,618,829	4,933,109	627,864
Total capital assets	2,705,441	6,098,639	691,787
Related debt			
General obligation bonds	-	(380,000)	-
Installment purchase agreements	(524,105)	-	-
Notes from direct borrowing and direct placements	(593,950)	-	(134,774)
Deferred charge on bond refunding	-	3,099	-
Total related debt	(1,118,055)	(376,901)	(134,774)
Net investment in capital assets	\$ 1,587,386	\$ 5,721,738	\$ 557,013

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 government. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Benefits provided – Benefits provided include plans with multipliers of 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, 2023

Employees covered by benefit terms – At the December 31, 2022 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to, but not yet receiving benefits	17
Active employees	<u>12</u>
	<u><u>46</u></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, 2022, 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, 2022 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 Mortality Tables. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in 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	20.00%	9.75%	1.95%	2.50%	1.45%
	<u>100.00%</u>		<u>7.35%</u>		<u>4.85%</u>

City of Bangor
Notes to the Financial Statements
June 30, 2023

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.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances as of December 31, 2021	<u>\$ 1,714,033</u>	<u>\$ 2,323,643</u>	<u>\$ (609,610)</u>
Changes for the year			
Service cost	45,971	-	45,971
Interest on total pension liability	121,246	-	121,246
Experience differences	(39,606)	-	(39,606)
Net investment income (loss)	-	(255,844)	255,844
Benefit payments and refunds	(129,323)	(129,323)	-
Administrative expense	-	(4,171)	4,171
Net changes	<u>(1,712)</u>	<u>(389,338)</u>	<u>387,626</u>
Balances as of December 31, 2022	<u>\$ 1,712,321</u>	<u>\$ 1,934,305</u>	<u>\$ (221,984)</u>

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.

1% Decrease	Current Discount Rate	1% Increase
<u>\$ (23,167)</u>	<u>\$ (221,984)</u>	<u>\$ (386,854)</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2023 the employer recognized pension expense of \$85,342. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total to Amortize
Differences in experience	\$ 1,577	\$ (83,734)	\$ (82,157)
Net difference between projected and actual earning on plan investments	182,829	-	182,829
Total	<u>\$ 184,406</u>	<u>\$ (83,734)</u>	<u>\$ 100,672</u>

City of Bangor
Notes to the Financial Statements
June 30, 2023

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

Year ended June 30,	
2024	\$ (19,183)
2025	2,113
2026	33,849
2027	83,893
	\$ 100,672

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.

Employees covered by benefit terms – At June 30, 2023, the plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	1
Active employees	4
	5

The plan is closed to new employees.

Contributions – The City follows the pay-as-you-go method. For the year ended June 30, 2023, the City's contributions were \$36,559. Employees are not required to contribute to the premium payments.

Total OPEB liability – The total OPEB liability was measured as of June 30, 2023 and based on the alternative measurement method calculated as of that date.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, 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	26 years, closed
Discount rate	3.54%
Salary increases	3.25%
Investment rate of return	3.54%
Retirement age	60
Mortality	Pub-2010 tables using scape MP-2021
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%

City of Bangor
Notes to the Financial Statements
June 30, 2023

The actuarial assumptions used in the June 30, 2023 valuation were based on the State of Michigan uniform assumptions.

Discount rate – The discount rate used to measure the total OPEB liability was 3.54%. 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. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

	Increase (Decrease)
	Total OPEB Liability (a)
Balances as of June 30, 2022, as restated	\$ 478,992
Changes for the year	
Interest on total OPEB liability	9,951
Experience differences	(60,969)
Benefit payments and refunds	(36,559)
Net changes	(87,577)
Balances as of June 30, 2023	\$ 391,415

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 or 1% higher than the current discount rate.

	Current Discount Rate	
1% Decrease	Discount Rate	1% Increase
\$ 422,640	\$ 391,415	\$ 363,865

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 or 1% higher than the current healthcare cost trend rates.

	Healthcare Cost Trend Rates	
1% Decrease	Rates	1% Increase
\$ 363,921	\$ 391,415	\$ 421,929

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended June 30, 2023 the employer recognized OPEB expense of \$9,951.

City of Bangor
Notes to the Financial Statements
June 30, 2023

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 government expects such amounts, if any, to be immaterial.

Note 12 - Prior Period Adjustment

There was an error in the alternative measurement method calculation of the total OPEB liability in the prior year which resulted in the following restatements of beginning net position:

	Governmental Activities	Business-type Activities	Sewer Fund	Water Fund	Internal Service Fund
Net position at June 30, 2022	\$ 2,838,689	\$ 4,517,882	\$ 3,895,780	\$ 683,184	\$ 71,767
Adjustments					
Total OPEB liability correction	180,645	673,272	341,519	331,753	13,847
Restated net position at June 30, 2022	\$ 3,019,334	\$ 5,191,154	\$ 4,237,299	\$ 1,014,937	\$ 85,614

City of Bangor
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes				
Property taxes	\$ 645,500	\$ 645,500	\$ 738,484	\$ 92,984
Penalties and interest	-	-	8,631	8,631
Administration fee	20,000	20,000	24,277	4,277
Licenses and permits	45,100	45,100	27,636	(17,464)
Federal grants	-	-	191,127	191,127
State-shared revenue	300,000	300,000	265,138	(34,862)
State grants	22,100	22,100	23,300	1,200
Charges for services	218,500	218,500	193,423	(25,077)
Fines and forfeitures	29,000	29,000	16,674	(12,326)
Rental income	18,000	18,000	19,016	1,016
Investment income	7,000	7,000	7,732	732
Other revenue	17,500	17,500	23,531	6,031
Total revenues	<u>1,322,700</u>	<u>1,322,700</u>	<u>1,538,969</u>	<u>216,269</u>
Expenditures				
General government				
City council	81,400	81,400	74,447	(6,953)
Manager	79,100	79,100	30,902	(48,198)
Clerk	76,300	76,300	47,890	(28,410)
Treasurer	128,200	128,200	75,629	(52,571)
Building and grounds	481,500	481,500	229,195	(252,305)
Cemetery	16,000	16,000	99,803	83,803
Total general government	<u>862,500</u>	<u>862,500</u>	<u>557,866</u>	<u>(304,634)</u>
Public safety				
Police	545,600	545,600	525,194	(20,406)
Building inspection department	23,000	23,000	41,335	18,335
Total public safety	<u>568,600</u>	<u>568,600</u>	<u>566,529</u>	<u>(2,071)</u>
Department of public works	<u>173,000</u>	<u>173,000</u>	<u>324,056</u>	<u>151,056</u>
Community and economic development				
Economic development	<u>-</u>	<u>-</u>	<u>77,466</u>	<u>77,466</u>
Recreation and culture				
Parks and recreation	30,000	30,000	262,690	232,690
Library	-	-	13,008	13,008
Total recreation and culture	<u>30,000</u>	<u>30,000</u>	<u>275,698</u>	<u>245,698</u>
Total expenditures	<u>1,634,100</u>	<u>1,634,100</u>	<u>1,801,615</u>	<u>167,515</u>
Excess (deficiency) of revenues over expenditures	(311,400)	(311,400)	(262,646)	48,754
Other financing sources (uses)				
Transfers out	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
Net change in fund balance	(391,400)	(391,400)	(342,646)	48,754
Fund balance - beginning of year	<u>1,088,578</u>	<u>1,088,578</u>	<u>1,088,578</u>	<u>-</u>
Fund balance - end of year	<u>\$ 697,178</u>	<u>\$ 697,178</u>	<u>\$ 745,932</u>	<u>\$ 48,754</u>

See Accompanying Notes to Required Supplementary Information

City of Bangor
Required Supplementary Information
Budgetary Comparison Schedule
Major Streets Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
State grants	\$ 200,000	\$ 200,000	\$ 234,052	\$ 34,052
Other revenue	325,000	325,000	500	(324,500)
Total revenues	<u>525,000</u>	<u>525,000</u>	<u>234,552</u>	<u>(290,448)</u>
Expenditures				
Current				
Public works	522,400	522,400	334,943	(187,457)
Debt service				
Principal retirement	-	-	28,025	28,025
Interest and fiscal charges	-	-	10,563	10,563
Total expenditures	<u>522,400</u>	<u>522,400</u>	<u>373,531</u>	<u>(148,869)</u>
Excess of revenues (deficiency) over expenditures	2,600	2,600	(138,979)	(141,579)
Other financing sources (uses)				
Issuance of debt	-	-	400,000	400,000
Net change in fund balance	2,600	2,600	261,021	258,421
Fund balance (deficit) - beginning of year	(12,493)	(12,493)	(12,493)	-
Fund balance (deficit) - end of year	<u>\$ (9,893)</u>	<u>\$ (9,893)</u>	<u>\$ 248,528</u>	<u>\$ 258,421</u>

See Accompanying Notes to Required Supplementary Information

City of Bangor
Required Supplementary Information
Budgetary Comparison Schedule
Local Streets Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes	\$ 42,000	\$ 42,000	\$ 77,436	\$ 35,436
State grants	100,000	100,000	86,838	(13,162)
Other revenue	<u>325,000</u>	<u>325,000</u>	<u>100</u>	<u>(324,900)</u>
Total revenues	<u>467,000</u>	<u>467,000</u>	<u>164,374</u>	<u>(302,626)</u>
Expenditures				
Current				
Public works	522,500	522,500	470,379	(52,121)
Debt service				
Principal retirement	-	-	28,025	28,025
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>10,563</u>	<u>10,563</u>
Total expenditures	<u>522,500</u>	<u>522,500</u>	<u>508,967</u>	<u>(13,533)</u>
Excess of revenues (deficiency) over expenditures	(55,500)	(55,500)	(344,593)	(289,093)
Other financing sources (uses)				
Issuance of debt	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Net change in fund balance	(55,500)	(55,500)	(94,593)	(39,093)
Fund balance - beginning of year	<u>181,755</u>	<u>181,755</u>	<u>181,755</u>	<u>-</u>
Fund balance - end of year	<u>\$ 126,255</u>	<u>\$ 126,255</u>	<u>\$ 87,162</u>	<u>\$ (39,093)</u>

See Accompanying Notes to Required Supplementary Information

City of Bangor
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Asset and Related Ratios
For the Year Ended June 30, 2023

Fiscal year ended June 30,	2023	2022	2021	2020
Total pension liability				
Service cost	\$ 45,971	\$ 38,816	\$ 18,796	\$ 12,704
Interest	121,246	117,488	113,888	118,978
Experience differences	(39,606)	34,111	(13,503)	(52,434)
Changes in assumptions	-	61,859	47,041	56,602
Other changes	-	-	-	-
Benefit payments and refunds	(129,323)	(129,447)	(128,280)	(126,924)
Net change in total pension liability	(1,712)	122,827	37,942	8,926
Total pension liability - beginning	1,714,033	1,591,206	1,553,264	1,544,338
Total pension liability - ending (a)	<u>\$ 1,712,321</u>	<u>\$ 1,714,033</u>	<u>\$ 1,591,206</u>	<u>\$ 1,553,264</u>
Plan fiduciary net position				
Net investment income (loss)	\$ (255,844)	\$ 312,548	\$ 245,919	\$ 253,851
Benefit payments and refunds	(129,323)	(129,447)	(128,280)	(126,924)
Administrative expense	(4,171)	(3,397)	(4,003)	(4,370)
Net change in plan fiduciary net position	(389,338)	179,704	113,636	122,557
Plan fiduciary net position - beginning	2,323,643	2,143,939	2,030,303	1,907,746
Plan fiduciary net position - ending (b)	<u>\$ 1,934,305</u>	<u>\$ 2,323,643</u>	<u>\$ 2,143,939</u>	<u>\$ 2,030,303</u>
Net pension asset (a-b)	<u>\$ (221,984)</u>	<u>\$ (609,610)</u>	<u>\$ (552,733)</u>	<u>\$ (477,039)</u>
Plan fiduciary net position as a percentage of total pension liability	112.96%	135.57%	134.74%	130.71%
Covered payroll	\$ 583,393	\$ 487,030	\$ 285,219	\$ 184,644
Net pension asset as a percentage of covered payroll	(38.05%)	(125.17%)	(193.79%)	(258.36%)

See Accompanying Notes to Required Supplementary Information

City of Bangor
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Asset and Related Ratios
For the Year Ended June 30, 2023

Fiscal year ended June 30,	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 21,988	\$ 26,676	\$ 20,345	\$ 15,513	\$ 14,199
Interest	129,907	128,888	129,232	128,993	128,248
Experience differences	(152,875)	6,311	-	-	-
Changes in assumptions	-	-	-	-	-
Other changes	-	-	1,080	61,352	-
Benefit payments and refunds	(135,057)	(158,512)	(157,737)	(155,135)	(112,989)
Net change in total pension liability	(136,037)	3,363	(7,080)	50,723	29,458
Total pension liability - beginning	1,680,375	1,677,012	1,684,092	1,633,369	1,603,911
Total pension liability - ending (a)	<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					
Net investment income (loss)	\$ (79,360)	\$ 260,259	\$ 217,607	\$ (30,819)	\$ 134,339
Benefit payments and refunds	(135,057)	(158,512)	(157,737)	(155,135)	(112,989)
Administrative expense	(4,035)	(4,135)	(4,303)	(4,610)	(4,914)
Net change in plan fiduciary net position	(218,452)	97,612	55,567	(190,564)	16,436
Plan fiduciary net position - beginning	2,126,198	2,028,586	1,973,019	2,163,583	2,147,147
Plan fiduciary net position - ending (b)	<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>\$ (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	123.53%	126.53%	120.96%	117.16%	132.46%
Covered payroll	\$ 326,718	\$ 394,621	\$ 297,441	\$ 191,987	\$ 175,730
Net pension asset as a percentage of covered payroll	(111.23%)	(112.97%)	(118.20%)	(150.49%)	(301.72%)

See Accompanying Notes to Required Supplementary Information

City of Bangor
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions
For the Year Ended June 30, 2023

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	-	-	-	394,321	- %
2019	-	-	-	326,718	- %
2020	-	-	-	179,074	- %
2021	-	-	-	425,779	- %
2022	-	-	-	579,544	- %
2023	-	-	-	616,530	- %

See Accompanying Notes to Required Supplementary Information

City of Bangor
Required Supplementary Information
Other Postemployment Benefits
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2023

Fiscal year ended June 30,	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Interest	\$ 9,951	\$ 22,277	\$ 22,487	\$ 41,621	\$ 32,048	\$ 37,676
Experience differences	(60,969)	317,434	388,346	(746,179)	(8,902)	(159,645)
Changes in assumptions	-	-	-	-	349,901	8,506
Benefit payments and refunds	(36,559)	(38,805)	(42,640)	(37,968)	(69,974)	(78,304)
Net change in total OPEB liability	(87,577)	300,906	368,193	(742,526)	303,073	(191,767)
Total OPEB liability - beginning	478,992	1,032,003	663,810	1,406,336	1,103,263	1,295,030
Total OPEB liability - ending (a)	<u>\$ 391,415</u>	<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 *	N/A *
Covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
Total OPEB liability as a percentage of covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *

* Payroll is not a component of this calculation

City of Bangor
Required Supplementary Information
Other Postemployment Benefits
Schedule of Employer Contributions
For the Year Ended June 30, 2023

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	\$ 760,000	\$ 573,881	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*
2023	66,437	36,559	29,878	N/A*	N/A*

* Payroll is not a component of this calculation

City of Bangor
Notes to the Required Supplementary Information
June 30, 2023

Pension Information

Notes to the Schedule of Changes in Net Pension Liability and Related Ratios – Municipal Employees Retirement System of Michigan

There were no changes in assumptions for the fiscal year ended June 30, 2023.

Notes to the Schedule of Employer Contributions – Municipal Employees Retirement System of Michigan

- Valuation date: December 31, 2022
- 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.

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: 2.5 percent
- Salary increase: 3.0 percent
- Investment rate of return: 7 percent net of pension plan investment expense, including inflation
- Mortality rates: Pub-2010 Healthy Annuitant Mortality Tables – 50% male and 50% female blend

OPEB Information

Notes to the Schedule of Changes in Total Net OPEB and Related Ratios – Other Postemployment Benefits

The June 30, 2023, changes in assumptions are due to the following:

- The discount rate was lowered from 2.20% to 2.16%.
- The investment rate was raised from 2.16% to 3.54%.

The July 1, 2022 total OPEB liability was restated from \$1,332,909 to \$478,992 for the correction of an error.

Notes to the Schedule of Employer Contributions – Other Postemployment Benefits

- Valuation date: June 30, 2023

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry-age normal
- Amortization method: Level dollar
- Remaining amortization period: 26 years, closed
- Discount rate: 3.54%
- Salary increases: 3.25%
- Investment rate of return: 3.54%
- Retirement age: 60

City of Bangor
Notes to the Required Supplementary Information
June 30, 2023

- Mortality: Pub-2010 mortality tables with future mortality projected generationally using Scale MP-2021
- Healthcare cost trend rate: 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%

City of Bangor
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Police	Bangor Fire District	South Haven Hospital Authority	Senior Services	Library Maintenance	
Assets						
Cash and cash equivalents	\$ 50,826	\$ -	\$ 925	\$ 15,528	\$ 75,481	\$ 142,760
Receivables						
Accounts	-	-	65	66	-	131
Due from other units of government	-	28,177	-	1,976	-	30,153
Due from other funds	36,226	-	-	-	-	36,226
Total assets	<u>\$ 87,052</u>	<u>\$ 28,177</u>	<u>\$ 990</u>	<u>\$ 17,570</u>	<u>\$ 75,481</u>	<u>\$ 209,270</u>
Liabilities						
Checks written against future deposits	\$ -	\$ 72,472	\$ -	\$ -	\$ -	\$ 72,472
Accounts payable	-	-	990	-	-	990
Total liabilities	<u>-</u>	<u>72,472</u>	<u>990</u>	<u>-</u>	<u>-</u>	<u>73,462</u>
Fund balances						
Restricted for						
Public safety	87,052	-	-	-	-	87,052
Senior services	-	-	-	17,570	-	17,570
Library maintenance	-	-	-	-	75,481	75,481
Unassigned (deficit)	-	(44,295)	-	-	-	(44,295)
Total fund balances (deficit)	<u>87,052</u>	<u>(44,295)</u>	<u>-</u>	<u>17,570</u>	<u>75,481</u>	<u>135,808</u>
Total liabilities and fund balances	<u>\$ 87,052</u>	<u>\$ 28,177</u>	<u>\$ 990</u>	<u>\$ 17,570</u>	<u>\$ 75,481</u>	<u>\$ 209,270</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, 2023

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Police	Bangor Fire District	South Haven Hospital Authority	Senior Services	Library Maintenance	
Revenues						
Taxes	\$ 31,300	\$ 60,635	\$ -	\$ 37,654	\$ -	\$ 129,589
Local contributions	-	-	-	-	4,000	4,000
Total revenues	<u>31,300</u>	<u>60,635</u>	<u>-</u>	<u>37,654</u>	<u>4,000</u>	<u>133,589</u>
Expenditures						
Current						
Public safety	712	119,056	-	-	-	119,768
Health and welfare	-	-	-	28,298	-	28,298
Recreation and culture	-	-	-	-	978	978
Total expenditures	<u>712</u>	<u>119,056</u>	<u>-</u>	<u>28,298</u>	<u>978</u>	<u>149,044</u>
Net change in fund balances	30,588	(58,421)	-	9,356	3,022	(15,455)
Fund balances - beginning of year	<u>56,464</u>	<u>14,126</u>	<u>-</u>	<u>8,214</u>	<u>72,459</u>	<u>151,263</u>
Fund balances (deficit) - end of year	<u>\$ 87,052</u>	<u>\$ (44,295)</u>	<u>\$ -</u>	<u>\$ 17,570</u>	<u>\$ 75,481</u>	<u>\$ 135,808</u>

City of Bangor
Other Supplementary Information
Schedule of Indebtedness
June 30, 2023

June 30,	Governmental Activities					Total	Business-type	Component Units		Total
	MDOT State Infrastructure Bank Loan	Installment Purchase Agreement - 2018 Sewer Vac Truck	Installment Purchase Agreement - 2022 Police Vehcile	Installment Purchase Agreement - 2023 Dump Truck	2006 GO Sewage Disposal System Refunding Bonds		2017 Parking Lot Loan	2020 Promissory Note		
2024	\$ 57,872	\$ 58,423	\$ 11,581	\$ 21,430	\$ 149,306	\$ 125,000	\$ 28,148	\$ 24,152	\$ 55,620	
2025	59,753	62,161	12,390	22,356	156,660	125,000	4,707	25,017	52,300	
2026	61,694	66,137	13,257	23,322	164,410	130,000	-	25,913	65,181	
2027	63,700	70,368	-	24,329	158,397	-	-	26,837	25,913	
2028	65,770	-	-	25,380	91,150	-	-	-	27,070	
2029-2032	285,161	-	-	112,971	398,132	-	-	-	-	
Total	\$ 593,950	\$ 257,089	\$ 37,228	\$ 229,788	\$ 1,118,055	\$ 380,000	\$ 32,855	\$ 101,919	\$ 226,084	
Interest rate	3.250%	2.500%	6.990%	8.640%		1.625%	2.290%	3.500%		
Original issue	\$ 650,000	\$ 312,000	\$ 151,018	\$ 751,533		\$ 2,200,000	\$ 375,000	\$ 147,750		



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September 9, 2024

To the Honorable Mayor, City Council and Management
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, 2023. 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, *Government Auditing Standards* and the Uniform Guidance, 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 19, 2023. 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, 2022:

- 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.

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 statements 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
- Unsubstantiated adjustments to utility bills
- Internal control material weaknesses

Accounting Standards and Regulatory Updates

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

Implementation Guide No 2021-1, *Implementation Guidance Update-2021* has an amended response related to the capitalization of assets purchased as a group. Under the amended guidance, governments *should* capitalize individual items when the purchase in the aggregate is considered significant, even if the individual items are less than the capitalization threshold of the government. The effective date for implementation is for reporting periods beginning after June 15, 2023 (effectively, for the first year ended June 30, 2024 or later) and requires retroactive implementation.

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:

General Fund						
Over (Under) Stated						
Description	Total Assets	Total Liabilities	Total Fund Balance	Revenues	Expenditures	Change in Balance
Unreconciled differences in cash	\$ (1,979)	\$ -	\$ (1,979)	\$ (1,979)	\$ -	\$ (1,979)

Business-type Activities						
Over (Under) Stated						
Description	Total Assets	Total Liabilities	Total Net Position	Revenues	Expenses	Change in Net Position
Water fund customer deposit listing does not reconcile to trial balance	\$ 6,089	\$ 6,089	\$ -	\$ -	\$ -	\$ -

Water Fund						
Over (Under) Stated						
Description	Total Assets	Total Liabilities	Total Net Position	Revenues	Expenses	Change in Net Position
Water fund customer deposit listing does not reconcile to trial balance	\$ 6,089	\$ 6,089	\$ -	\$ -	\$ -	\$ -

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.

Emphasis of Matters in Independent Auditors’ Report

Our report will include the following emphasis of matter paragraphs:

Fund Deficits

As of June 30, 2023, the City has an unrestricted deficit net position in the Sewer Fund of \$156,321, an unrestricted deficit net position in the Motor Vehicle Pool Fund of \$94,833 and an unassigned deficit fund balance in the Bangor Fire District Fund of \$44,295, which resulted from operating deficits. The deficits and status of the City’s Deficit Elimination Plans that are required by the Michigan Department of Treasury, are disclosed in Note 2. Our opinions are not modified with respect to this matter.

Prior Period Adjustment

As described in Note 12 to the financial statements, there was an error in the alternative measurement method calculation of the total OPEB liability in the prior year which resulted in a restatement of beginning net position. Our opinion is not modified with respect to that matter.

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*; Independent Auditors’ Report on Compliance For Each Major Federal Program; Independent Auditors’ Report on Internal Control Over Compliance; Independent Auditors’ Report on Schedule of Expenditures of Federal Awards Required by the Uniform Grant Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports 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, 2023, 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 9, 2024, 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\(gxxl4goehjy33safszbkbu3\)\)/mileg.aspx?page=getObject&objectName=mcl-Act-280-of-1995](http://www.legislature.mi.gov/(S(gxxl4goehjy33safszbkbu3))/mileg.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\(ykewgruauquarbcmanrko3\)\)/mileg.aspx?page=getObject&objectName=mcl-141-2303](http://www.legislature.mi.gov/(S(ykewgruauquarbcmanrko3))/mileg.aspx?page=getObject&objectName=mcl-141-2303)

Appendix III - Audit Adjustments

Fund: 101		General Fund	Debit	Credit
Adjusting Journal Entries JE # 1005				
AJE06 - Correct SSR revenue				
101-000-078.000	DUE FROM STATE	\$	13,054	\$ -
101-000-574.002	EVIP REVENUE		47,172	-
101-000-360.000	DEFERRED INFLOWS		-	47,172
101-000-694.000	MISC INCOME		-	13,054
Total		\$	60,226	\$ 60,226
Adjusting Journal Entries JE # 1007				
AJE08 - Record additional AP accruals				
101-101-826.000	LEGAL FEES	\$	12,098	\$ -
101-101-880.000	COMMUNITY PROMOTION		8,853	-
101-000-202.000	ACCOUNTS PAYABLE		-	20,951
Total		\$	20,951	\$ 20,951
Adjusting Journal Entries JE # 1008				
AJE09 - Adjust delinquent property tax AR				
101-000-084.901	DUE FROM OTHER GOVERNMENTS	\$	7,092	
101-000-446.000	INTEREST/LATE FEE-DELQ			6,141
101-000-618.000	CFS-TAX ADMIN FEE			951
Total		\$	7,092	\$ 7,092
Fund: 101	Total All Journal Entries	\$	88,269	\$ 88,269
Fund: 202		Major Streets Fund		
Adjusting Journal Entries JE # 1004				
AJE05 - Correct Act 51 revenue and deferred inflows.				
202-000-546.000	STATE OF MICHIGAN REVENUE	\$	7,940	\$ -
202-000-360.000	DEFERRED INFLOW - STATE REVENUE		-	7,940
Total		\$	7,940	\$ 7,940
Adjusting Journal Entries JE # 1007				
AJE08 - Record additional AP accruals				
202-463-818.000	CONTRACTUAL SERVICES	\$	6,048	\$ -
202-000-202.000	ACCOUNTS PAYABLE		-	6,048
Total		\$	6,048	\$ 6,048
Fund: 202	Total All Journal Entries	\$	13,988	\$ 13,988
Fund: 203		Local Streets Fund		
Adjusting Journal Entries JE # 1002				
AJE03 - Remove AP that was already recorded				
203-000-202.000	ACCOUNTS PAYABLE	\$	11,893	
203-451-818.000	CONTRACTUAL SERVICES			11,893
Total		\$	11,893	\$ 11,893
Adjusting Journal Entries JE # 1004				
AJE05 - Correct Act 51 revenue and deferred inflows.				
203-000-546.000	STATE OF MICHIGAN REVENUE	\$	2,961	\$ -
203-000-360.000	DEFERRED INFLOW - STATE REVENUE		-	2,961
Total		\$	2,961	\$ 2,961
Fund: 203	Total All Journal Entries	\$	14,854	\$ 14,854

Fund: 207		Police Fund	Debit	Credit
Adjusting Journal Entries JE # 1000				
AJE01 - Correct fund balance in police fund to match prior year financial statements ending balance				
207-000-390.000	FUND BALANCE	\$ 2,412	\$ -	
207-301-977.000	NEW EQUIPMENT	-	2,412	
Total		\$ 2,412	\$ 2,412	
Fund: 207	Total All Journal Entries	\$ 2,412	\$ 2,412	
Fund: 590		Sewer Fund		
Adjusting Journal Entries JE # 1001				
AJE02 - Record prior period adjustment for incorrect calculation of OPEB liability in prior year.				
590-000-270.000	ACCRUED RETIREE HEALTHCARE	\$ 341,519	\$ -	
590-000-390.000	FUND BALANCE	-	341,519	
Total		\$ 341,519	\$ 341,519	
Adjusting Journal Entries JE # 1007				
AJE08 - Record additional AP accruals				
590-000-142.001	CONSTRUCTION IN PROGRESS	\$ 26,500	\$ -	
590-548-826.000	LEGAL FEES	12,098	-	
590-000-202.000	ACCOUNTS PAYABLE	-	38,598	
Total		\$ 38,598	\$ 38,598	
Adjusting Journal Entries JE # 1009				
AJE10 - Record additional federal revenue and AR				
590-000-040.000	ACCOUNTS REC	\$ 26,500	\$ -	
590-000-545.003	CDBG GRANT	-	26,500	
Total		\$ 26,500	\$ 26,500	
Fund: 590	Total All Journal Entries	\$ 479,534	\$ 479,534	
Fund: 591		Water Fund		
Adjusting Journal Entries JE # 1001				
AJE02 - Record prior period adjustment for incorrect calculation of OPEB liability in prior year.				
591-000-270.000	ACCRUED RETIREE HEALTHCARE	331,753		
591-000-390.000	FUND BALANCE		331,753	
Total		331,753	331,753	
Adjusting Journal Entries JE # 1003				
AJE04 - Record AR and revenue for ARPA DWAM grant				
591-000-040.000	ACCOUNTS RECEIVABLE	\$ 75,000	\$ -	
591-000-545.000	FEDERAL REVENUE	-	75,000	
Total		\$ 75,000	\$ 75,000	
Adjusting Journal Entries JE # 1007				
AJE08 - Record additional AP accruals				
591-000-142.000	CONSTRUCTION IN PROGRESS	\$ 20,000	\$ -	
591-556-826.000	LEGAL FEES	15,098	-	
591-000-202.000	ACCOUNTS PAYABLE	-	35,098	
Total		\$ 35,098	\$ 35,098	
Adjusting Journal Entries JE # 1009				
AJE10 - Record additional federal revenue and AR				
591-000-040.000	ACCOUNTS RECEIVABLE	\$ 20,000	\$ -	
591-000-545.000	FEDERAL REVENUE	-	20,000	
Total		\$ 20,000	\$ 20,000	
Fund: 591	Total All Journal Entries	\$ 533,893	\$ 533,893	

Fund: 661		Motor Vehicle Pool Fund		Debit	Credit
Adjusting Journal Entries JE # 1001					
AJE02 - Record prior period adjustment for incorrect calculation of OPEB liability in prior year.					
661-000-270.000	ACCRUED RETIREE HEALTHCARE	\$	13,847	\$	-
661-000-390.000	FUND BALANCE		-		13,847
Total		\$	13,847	\$	13,847
Adjusting Journal Entries JE # 1006					
AJE07 - Correct transfers					
661-000-669.000	EQUIPMENT RENTAL	\$	80,000	\$	-
661-000-699.101	TRANSFER IN - GENERAL FUND		-		80,000
Total		\$	80,000	\$	80,000
Fund: 661	Total All Journal Entries	\$	94,723	\$	94,723

City of Bangor

Single Audit

June 30, 2023



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

To the Honorable Mayor, City Council and Management
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 City of Bangor (the City), as of and for the year ended June 30, 2023, 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 9, 2024.

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 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-003, 2023-004, 2023-005, 2023-006 and 2023-007 that we consider to be material weaknesses. In addition, we identified a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2023-002 that we consider 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in

the accompanying schedule of findings and questioned costs as items 2023-001, 2023-003, 2023-004, 2023-005 and 2023-006.

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 response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

The City is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The City's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 9, 2024

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

To the Honorable Mayor, City Council and Management
City of Bangor
Bangor, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Bangor's (the City's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated September 9, 2024, which contained unmodified, qualified and adverse opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
September 9, 2024

City of Bangor
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

	<u>Assistance Listing Number</u>	<u>Federal or Pass-Through Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
Passed through Michigan Economic Development Corporation			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	MSC-221011-WRI	\$ <u>906,316</u>
U.S. Department of Treasury			
Passed through the Michigan Department of Treasury			
Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027	SLFRP0127	191,127
Passed through the State of Michigan, Michigan Department of Environment, Great Lakes and Energy			
Coronavirus State and Local Fiscal Recovery Funds - Drinking Water Asset Management COVID	21.027	80-2010/NEU	<u>95,000</u>
Total U.S. Department of Treasury			<u>286,127</u>
Total Expenditures of Federal Awards			\$ <u>1,192,443</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Bangor
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis and modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

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

Note 3 - Subrecipients

No amounts were provided to subrecipients.

City of Bangor
Schedule of Findings and Questioned Costs
June 30, 2023

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:

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

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

City of Bangor
Schedule of Findings and Questioned Costs
June 30, 2023

Section II – Government Auditing Standards Findings

2023-001 - 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 policies 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 Questioned Costs
June 30, 2023

2023-002 - 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, 2023. 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.

2023-003 – 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.

City of Bangor
Schedule of Findings and Questioned Costs
June 30, 2023

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

Corrective action plan: See attached.

2023-004 – 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 2021.

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 2023 financial statements in order to submit their audit, which is also late as described in finding 2023-003. 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 Questioned Costs
June 30, 2023

2023-005 – 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, 2023, 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			
Public works	\$ 173,000	\$ 324,056	\$ 151,056
Community and economic development	-	77,466	77,466
Recreation and culture	30,000	275,698	245,698
Major Streets Fund			
Debt service	-	38,588	38,588
Local Streets Fund			
Debt service	-	38,588	38,588

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
Schedule of Findings and Questioned Costs
June 30, 2023

2023-006 – Material Weakness and Material Noncompliance – Fund Deficits

Specific Requirement:	Governments are required to maintain positive unrestricted net position and positive unassigned fund balance.
Condition:	As of June 30, 2023, the City has an unrestricted deficit net position in the Sewer Fund of \$156,321, an unrestricted deficit net position in the Motor Vehicle Pool Fund of \$94,833 and an unassigned deficit fund balance in the Bangor Fire District Fund of \$44,295.
Cause:	The deficits are a result of operating losses.
Effect:	The Sewer Fund unrestricted net position, the Motor Vehicle Pool Fund unrestricted net position and the Bangor Fire District Fund unassigned fund balance are all in deficits. The City is required to submit deficit elimination plans for each deficit.
Recommendation:	We recommend that the City develops the required deficit elimination plans and submit them to the State of Michigan as soon as possible.
Views of responsible officials:	Management is in agreement with the finding.
Corrective action plan:	See attached.

2023-007 – Material Weakness – Prior Period Adjustment

Specific Requirement:	Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.
Condition:	There was an error in the alternative measurement method calculation of the total OPEB liability in the prior year which resulted in a restatement of beginning net position in the Governmental Activities of \$180,645, in the Business-type Activities of \$673,272, in the Sewer Fund of \$341,519, in the Water Fund of \$331,753 and in the Motor Vehicle Pool Fund of \$13,847.
Cause:	There was an error in the calculation that was not detected until fiscal year 2023.
Effect:	The effect was a restatement of beginning net position to correct the total OPEB liability.
Recommendation:	We recommend the City review the calculation for reasonableness to ensure that there are no errors.
Views of responsible officials:	Management is in agreement with the finding.
Corrective action plan:	See attached.

Section III – Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2023.

City of Bangor
Summary Schedule of Prior Audit Findings
June 30, 2023

Section IV – Prior Audit Findings

Government Auditing Standards Findings

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

Criteria: Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.

Status: Uncorrected.

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

Criteria: Management is responsible for retaining documentation that substantiates adjustments to all utility bills to ensure that all were approved and are reasonable.

Status: Uncorrected.

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

Criteria: 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.

Status: Uncorrected.

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

Criteria: 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.

Status: Uncorrected.

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

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

Status: Uncorrected.

Federal Award Findings

A single audit was not performed for the year ended June 30, 2022 as federal expenditures were below \$750,000.

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, 2023 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 2023-001 – 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 continue to update policies and procedures. Bank reconciliations will be done in a timelier manner and sent to the City's accountant for review. Online bank transfers are initiated by the City Treasurer and reviewed by the City Clerk/City Manager for approval. Electronic payments will be initiated by the City Treasurer and reviewed by the City Clerk and presented to the City Council for approval. Pay rates will be reviewed and approved by the City Manager and presented to the City Council for approval.

Finding 2023-002 – 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, 2023. The City was unable to provide any supporting documentation to substantiate any of the utility bill adjustments.

Corrective Action Plan: The City has created policies and procedures to document utility bill adjustments.

Finding 2023-003 – 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 and auditors to have the audit filed on time. The City has changed from an annual audit to a biannual audit per MCL 141.425 which should help get the City back on track with filing timing.

Finding 2023-004 – 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 2021.

Corrective Action Plan: The City will continue to work with Bangor Housing to get their audits completed on a timely matter.

Finding 2023-005 – Material Weakness and Material Noncompliance – Expenditures in Excess of Appropriations

Condition: As of June 30, 2023, 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			
Public works	\$ 173,000	\$ 324,056	\$ 151,056
Community and economic development	-	77,466	77,466
Recreation and culture	30,000	275,698	245,698
Major Streets Fund			
Debt service	-	38,588	38,588
Local Streets Fund			
Debt service	-	38,588	38,588

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

2023-006 – Material Weakness and Material Noncompliance – Fund Deficits

Condition: As of June 30, 2023, the City has an unrestricted deficit net position in the Sewer Fund of \$156,321, an unrestricted deficit net position in the Motor Vehicle Pool Fund of \$94,833 and an unassigned deficit fund balance in the Bangor Fire District Fund of \$44,295.

Corrective Action Plan: The City will develop a fund deficit plan.

2023-007 – Material Weakness – Prior Period Adjustment

Condition: There was an error in the alternative measurement method calculation of the total OPEB liability in the prior year which resulted in a restatement of beginning balances in the Governmental Activities of \$180,645, in the Business-type Activities of \$673,272, in the Sewer Fund of \$341,519, in the Water Fund of \$331,753 and in the Motor Vehicle Pool Fund of \$13,847.

Corrective Action Plan: The City will work with our accountant/auditors to make sure the correct calculation information is given for the OPEB liability report.

Responsible Official: Justin Weber, City Manager