

City of Gladwin, Michigan

**Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023**

Prepared by: City's Department of Treasury



City of Gladwin, Michigan
 Annual Comprehensive Financial Report
 Table of Contents
 For the Fiscal Year Ended June 30, 2023

	<u>Page</u>
<u>Introductory Section</u>	
Letter of Transmittal	i
Prior Year Certificate of Achievement	iv
City Officials	v
Organizational Chart.....	vi
<u>Financial Section</u>	
Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
General Fund	17
Major Streets Fund	19
Local Streets Fund.....	20
Proprietary Funds:	
Statement of Net Position	21
Statement of Revenues, Expenses, and Changes in Net Position.....	22
Statement of Cash Flows	23
Fiduciary Funds:	
Statement of Fiduciary Net Position.....	24
Statement of Changes in Fiduciary Net Position.....	25
Component Units:	
Combining Statement of Net Position	26
Combining Statement of Activities	27
NOTES TO FINANCIAL STATEMENTS	28
REQUIRED SUPPLEMENTARY INFORMATION	
Defined Benefit Pension Plan (MERS):	
Schedule of Changes in the Employer’s Net Pension Liability and Related Ratios.....	53
Schedule of Employer’s Contributions.....	54

City of Gladwin, Michigan
 Annual Comprehensive Financial Report
 Table of Contents
 For the Fiscal Year Ended June 30, 2023

Page

SUPPLEMENTARY INFORMATION:

Combining Balance Sheet – Nonmajor Governmental Funds.....	55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	56
Nonmajor Budgetary Comparison Schedules:	
City Streets Fund.....	57
Liquor Law Enforcement Fund.....	58
Drug Law Enforcement Fund.....	59
Public Safety Fund.....	60
Mosquito Control Fund.....	61
School Resource Officer.....	62
Combining Statement of Fiduciary Net Positions – Custodial Funds.....	63
Combining Statement of Changes in Fiduciary Net Position - Custodial Funds.....	64
Downtown Development Authority – Component Unit:	
Statement of Net Position and Balance Sheet.....	65
Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance.....	66
Economic Development Corporation – Component Unit:	
Statement of Net Position and Balance Sheet.....	67
Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance.....	68
Gladwin Zett Memorial Airport – Component Unit:	
Statement of Net Position and Balance Sheet.....	69
Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance.....	70

Statistical Section

Net Position by Component.....	71
Changes in Net Position.....	72
Fund Balances of Governmental Funds.....	74
Changes in Fund Balances of Governmental Funds.....	75
Governmental Activities Assess Value of Taxable Property.....	76
Property Tax Rates Direct and Overlapping Governments.....	77
Principal Taxpayers.....	78
Property Tax Levies and Collections.....	79
Ratios of Outstanding Debt by Type.....	80
Ratios of General Bonded Debt Outstanding.....	81
Direct and Overlapping Governmental Activities Debt.....	82
Legal Debt Margin Information.....	83
Pledged-Revenue Coverage.....	84
Annual Debt Service Requirements.....	85
Demographic and Economic Statistics.....	86
Principal Employers.....	87
Full-time Equivalent City Government Employees by Function.....	88
Operating Indicators by Function.....	89
Capital Asset Statistics by Function.....	90

City of Gladwin, Michigan
Annual Comprehensive Financial Report
Table of Contents
For the Fiscal Year Ended June 30, 2023

Compliance Section

Page

REPORT ON COMPLIANCE:

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	91
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**1000 West Cedar Avenue
Gladwin, Michigan 48624
Telephone: (989) 426-9231
Fax: (989) 426-6942**

October 6, 2023

To the Citizens of the City of Gladwin,
and Members of the City Council

The Annual Comprehensive Financial Report of the City of Gladwin, Michigan (the City) for the fiscal year ended June 30, 2023 is submitted in accordance with City Charter and Michigan State law, both which requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework designed for this purpose. Because the cost of internal controls should not exceed anticipated benefits the objective is to provide reason, rather than absolute assurance that the financial statements are free from any material aspects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City.

The City's financial statements have been audited by Anderson, Tackman & Company, PLC CPAs, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2023, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

To the Citizens of the City of Gladwin,
and Members of the City Council

Profile of the Government

The City of Gladwin, incorporated in 1893, is located in the central part of Michigan's Lower Peninsula. The City is the county seat and largest of only two cities within Gladwin County and has a population of approximately 3,097. Gladwin serves as the primary commercial center, health care services provider and government center for the County's 26,000 permanent residents. Recreation and tourism play a large part in the City's overall economy. The summer population of the County is estimated to be in excess of 50,000 as southern Michigan metropolitan area residents flock to their summer cottages along the waterways of the County. This summer population carries well into the fall as hunters take to the County's expansive wooded areas, which are primarily State-owned lands. The City currently occupies a land area of 3.75 square miles. The City is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City operates under a "council-manager" form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and eight other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's administrator, auditor and attorney. The City's administrator is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis on odd numbered years. Council members serve four-year staggered terms, with four council members elected every two years. The mayor is elected on non-partisan basis every two years.

The City provides a full range of services, including police protection; the construction and maintenance of highways, streets and other infrastructure; recreational activities and cultural events; sanitation, water and sewer services. The City is also financially accountable for a legally separate airport which is reported separately within the City's financial statements. Additional information on this and other legally separate entities can be found in the notes to the financial statements. The council adopts an annual budget. The annual budget serves as a foundation for the City of Gladwin's financial planning and control. Additional discussion of the budget process and legal control levels can be found in the notes to the financial statements. Budget comparisons for the general and major governmental funds can be found in the Fund Financial Statements section. Budgetary comparisons for all other governmental funds can be found in the Nonmajor Budgetary Comparison Schedules section of the report.

Economic Conditions, Outlook and Major Initiatives

The outlook for the City is stable. The City is an MEDC certified Redevelopment Ready Community (RRC). This initiative positions the community to be vibrant and competitive and ready for development. Redevelopment Ready Communities attract and retain businesses, offer superior customer service and have a streamlined development approval process making pertinent information available around-the-clock for anyone to view.

Long-Term Financial Planning

It is the long-term financial goal of the City to maintain a minimum General Fund balance of at least \$400,000. Expenses for wages, supplies, equipment, and benefits for the employees are challenging. The City's long-term financial success will depend on good management and cooperation.

We will continue to proactively seek out ways to deliver quality services and commodities at an affordable price. It is also our goal not to reduce service levels and to keep the City of Gladwin financially healthy in the long run.

To the Citizens of the City of Gladwin,
and Members of the City Council

Pension Plan

All full-time City employees are covered by pension plans. A complete review of all pension plans is presented in the Notes to the Financial Statements.

Awards

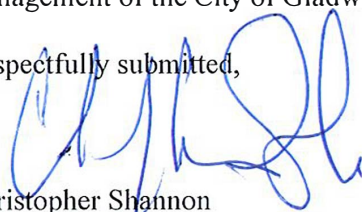
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gladwin for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the twenty-ninth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of the report would not have been possible without the efficient and dedicated services of the City Treasurer, Angela Bigham, and staff. We would also like to express appreciation to the staff of Anderson Tackman & Company, PLC CPAs for their contributions to the excellence of this report. Credit also must be given to the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Gladwin's finances.

Respectfully submitted,



Christopher Shannon
City Administrator



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Gladwin
Michigan**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

CITY OF GLADWIN

OFFICIALS

As of June 30, 2023

Sarah Kile
Mayor

Council

Nancy Bodnar
John Caffrey
David Crawford
Carol Darlington

Cristy Gutierrez
Jaimie Esiline
Michael Smith
Linda Winarski

Administration

Christopher Shannon
City Administrator

Angela Bigham
Treasurer

Jaynie Smith Hoerauf
Attorney

Eric Killian
Police Chief

Bernadette Weaver
Assessor

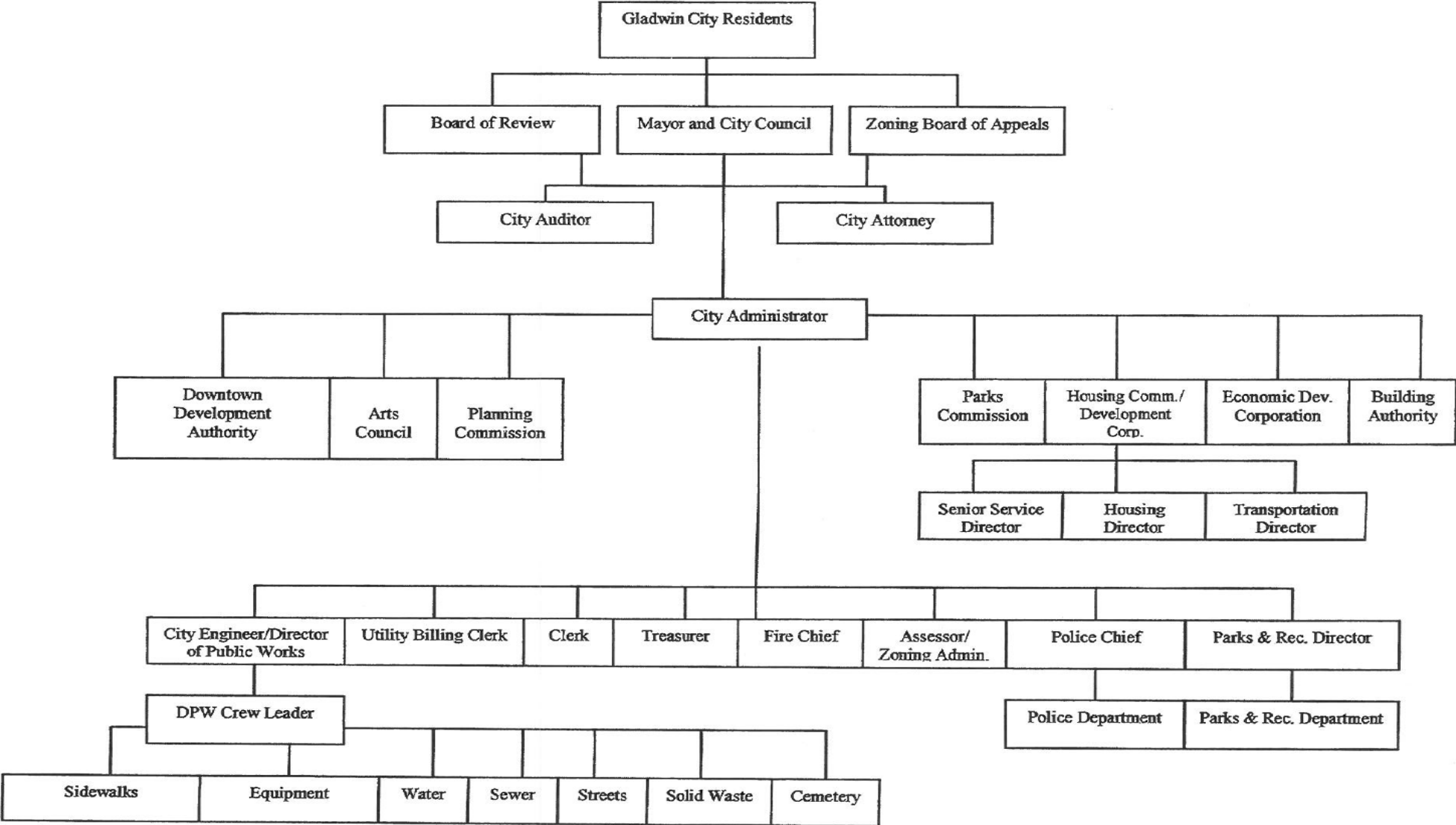
Marietta Andrist
Clerk

Mike Murphy
Parks & Recreation Director

George Alward
Fire Chief

Lori Stout
Housing Director

City of Gladwin Organizational Chart





ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

TORI N. KRUISE, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MICPA

OFFICES IN MICHIGAN

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Gladwin, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gladwin, Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Gladwin, Michigan's basic financial statements as listed in the table of contents.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gladwin, Michigan, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General, Major Streets and Local Street Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 of Gladwin, Michigan'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.

To the City Council
City of Gladwin, Michigan

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement 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 procedure that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Gladwin, Michigan'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 of Gladwin, Michigan'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 and defined benefit pension plan (MERS) schedules on pages 4 through 11 and pages 53 through 54 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.

To the City Council
City of Gladwin, Michigan

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gladwin, Michigan’s basic financial statements. The accompanying combining nonmajor and individual fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical section but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appear to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2023, on our consideration of the City of Gladwin, Michigan'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 of Gladwin, Michigan’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 of Gladwin, Michigan's internal control over financial reporting and compliance.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

October 6, 2023

Management's Discussion and Analysis

As management of the City of Gladwin, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Gladwin for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in this report. All amounts, unless otherwise indicated, are presented in whole.

Financial Highlights

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$13,754,697 (net position). Of this amount, \$3,156,273 (unrestricted net position) may be used to meet the government's ongoing obligations to the citizens and creditors.

The City's total net position increased by \$1,024,083. The increase was due to additional operating grants and an increase of taxable value of approximately 5%.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,714,550, an increase of \$663,956 in comparison with the prior year. This is primarily due to fiscal responsibility and less capital improvements made in the current year. Approximately \$1,551,421 of this total amount is available for spending at the government's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,551,421 or approximately 80 percent of total general fund expenditures.

During the current fiscal year, total long-term debt of the City, other than the net pension liability, had a net decrease of \$264,902. The City's debt decreased due to the payments of regularly scheduled debt service requirements and early pay-off of two outstanding bonds.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction of the City's basic financial statements. The City's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information. This report also contains supplementary information and other information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The statement of net position presents information on all the City's assets, deferred outflows, liabilities and deferred inflows, with a difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community and economic development, recreation and culture, and debt service. The business-type activities of the City include the Farmers' Market and the Water and Sewer operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also the legally separate Downtown Development Authority, Economic Development Corporation and the Gladwin Zett Memorial Airport for which the City is financially accountable. Financial information presented for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found in this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, major streets fund, and local streets fund, which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements beginning on page 55 of this report.

The City adopts an annual appropriated budget for its general fund and all special revenue fund types. Budgetary comparison statements and schedules have been provided in the basic financial statements for the major funds and in the supplementary information section of the report for nonmajor funds to demonstrate the extent of compliance with these budgets.

The basic governmental fund financial statements can be found in this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Farmers' Market, Sewer and Water operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its fleet of vehicles. Because the services of the fund predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer and Water operations, which are considered to be major funds of the City and the Farmers Market, which is a nonmajor fund of the City. Also, the internal service fund is presented in the proprietary fund financial statements. The basic proprietary fund financial statements can be found beginning on page 21 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. Currently the City has one fund that is a custodial type fund. The basic fiduciary fund financial statements can be found beginning on page 24 in this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 28 of this report.

Supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information in connection with nonmajor governmental funds. Combining and individual fund statements and schedules can be found in this report.

Other information. Statistical data and compliance data are also included as described in the table of contents.

Government-wide Financial Analysis

The following summaries provide a perspective of the financial information of the City as a whole:

City of Gladwin's Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 5,265,979	\$ 4,762,770	\$ 2,522,992	\$ 1,740,002	\$ 7,788,971	\$ 6,502,772
Capital assets	3,613,289	3,348,364	5,280,260	5,544,775	8,893,549	8,893,139
Total assets	<u>8,879,268</u>	<u>8,111,134</u>	<u>7,803,252</u>	<u>7,284,777</u>	<u>16,682,520</u>	<u>15,395,911</u>
Deferred outflows of resources	<u>434,281</u>	<u>311,606</u>	<u>-</u>	<u>-</u>	<u>434,281</u>	<u>311,606</u>
Long-term liabilities outstanding	982,686	788,341	1,343,278	1,341,915	2,325,964	2,130,256
Other liabilities	563,661	722,380	42,852	119,102	606,513	841,482
Total liabilities	<u>1,546,347</u>	<u>1,510,721</u>	<u>1,386,130</u>	<u>1,461,017</u>	<u>2,932,477</u>	<u>2,971,738</u>
Deferred inflows of resources	<u>21,196</u>	<u>192,172</u>	<u>408,431</u>	<u>-</u>	<u>429,627</u>	<u>192,172</u>
Net position:						
Net investment in capital assets	3,416,289	2,974,364	3,945,269	4,145,784	7,361,558	7,120,148
Restricted	3,096,369	2,346,504	140,497	8,000	3,236,866	2,354,504
Unrestricted	1,233,348	1,398,979	1,922,925	1,669,976	3,156,273	3,068,955
Total net position	<u>\$ 7,746,006</u>	<u>\$ 6,719,847</u>	<u>\$ 6,008,691</u>	<u>\$ 5,823,760</u>	<u>\$ 13,754,697</u>	<u>\$ 12,543,607</u>

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Gladwin, assets and deferred outflows exceeded liabilities and deferred inflows by \$13,754,697 at the close of the most recent fiscal year.

By far, the largest portion of the City’s net position \$7,361,558 (54 percent) reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s total net position \$3,236,866 (23 percent) represents resources that are subject to external restriction on how they may be used and the remaining balance of unrestricted net position \$33,156,273 (23 percent) may be used to meet the government’s ongoing obligations to citizens and creditors. The increase in restricted net position shown in the table above is primarily the result of increases in funds set aside for street maintenance and construction. The increase in unrestricted fund balance is the result of decreases in debt service requirements and an inflow of funds for new and upcoming projects.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole.

The government’s net position increased by 1,024,083 during the current fiscal year.

City of Gladwin's Changes in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 522,482	\$ 439,160	\$ 1,406,384	\$ 1,259,697	\$ 1,928,866	\$ 1,698,857
Operating grants and contributions	1,030,982	641,259	2,518	-	1,033,500	641,259
Capital grants and contributions	35,935	24,122	-	-	35,935	24,122
General revenues:						
Property taxes	1,208,477	1,160,475	-	-	1,208,477	1,160,475
State Revenue Sharing	412,320	411,834	-	-	412,320	411,834
Other	140,822	(415,802)	39,739	43,129	180,561	(372,673)
Total revenues	<u>3,351,018</u>	<u>2,261,048</u>	<u>1,448,641</u>	<u>1,302,826</u>	<u>4,799,659</u>	<u>3,563,874</u>
Expenses:						
General Government	612,614	667,227	-	-	612,614	667,227
Public Safety	826,879	779,933	-	-	826,879	779,933
Public Works	932,745	1,016,239	-	-	932,745	1,016,239
Community and Economic Development	50,670	-	-	-	50,670	-
Recreation and Culture	227,542	258,054	-	-	227,542	258,054
Interest and fees on long-term debt	11,462	18,735	-	-	11,462	18,735
Farmers' Market	-	-	12,639	13,604	12,639	13,604
Sewer	-	-	553,575	604,383	553,575	604,383
Water	-	-	547,450	509,644	547,450	509,644
Total expenses	<u>2,661,912</u>	<u>2,740,188</u>	<u>1,113,664</u>	<u>1,127,631</u>	<u>3,775,576</u>	<u>3,867,819</u>
Change in net position before transfers	689,106	(479,140)	334,977	175,195	1,024,083	(303,945)
Transfers	160,815	264,920	(160,815)	(264,920)	-	-
Change in net position	849,921	(214,220)	174,162	(89,725)	1,024,083	(303,945)
Net Position - Beginning (As Restated)	<u>6,896,085</u>	<u>6,934,067</u>	<u>5,834,529</u>	<u>5,749,362</u>	<u>12,730,614</u>	<u>12,683,429</u>
Net Position - Ending	<u>\$ 7,746,006</u>	<u>\$ 6,719,847</u>	<u>\$ 6,008,691</u>	<u>\$ 5,659,637</u>	<u>\$ 13,754,697</u>	<u>\$ 12,379,484</u>

Governmental activities. Governmental activities increased the City’s net position by \$849,921. In the current year, the City received an additional \$352,000 of contributions from the Downtown Development Authority as part of the current projects in the major street fund. Additionally, taxable value for property taxes assessed increased approximately 5%.

Business-type activities. Business-type activities increased the City’s net position by \$174,162. The increase is related to general operations and continued fiscal responsibly of the City. No major projects or other drivers occurred in the current year.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,714,550, an increase of \$663,956 in comparison with the prior year. Approximately 33 percent of this total amount, \$1,551,421, constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 64 percent of the fund balance \$3,016,436 falls into three categories: Committed, which includes City Hall improvements of \$41,635 and reserves for unfunded liabilities of \$20,000 that have been limited by the City Council. Restricted, which includes monies to pay debt service of \$98,145, street maintenance and construction of \$2,405,323, drug law enforcement of \$131,349, iron removal plant capital project of \$65,547, public safety purchases of \$166,914, \$2,456 for mosquito control, \$945 for the school resource officer, and \$81,791 of earnings on investments in trust that are limited by law and regulations of others. Assigned, which includes park improvements of \$500 and skate park improvements of \$1,831 with intent expressed by the City through the budgetary process. The remaining balance consists of the nonspendable category which is reserved to indicate that it is not available for new spending because it has already been spent for the ensuing fiscal year \$2,794, and to generate income to pay for the perpetual care of the municipal cemetery \$143,899.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,551,421, while total fund balance reached \$1,618,181. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 80 percent of total general fund expenditures, while total fund balance represents 83 percent of that same amount.

The fund balance of the City's general fund increased \$137,571 during the current fiscal year. The most significant change is attributable to improved investment returns and general fiscal management by keeping expenditures within budget. The major streets fund had a \$245,222 increase in fund balance. The City took on the reconstruction of 3 blocks in the current year that were funded by current year ACT 51 revenue and contributions from the Downtown Development Authority. The local streets fund had an increase of \$242,154. Although there were small street projects and maintenance that took place during the fiscal year, all was funded with ACT 51 revenue.

Overall, other governmental funds experienced an increase in fund balance due to the payoff of debt, freeing up the annual debt service requirement funds and limited capital outlay expenditures.

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

Unrestricted net position of Sewer, and Water funds and Farmers' Market Fund at the end of the year amounted to \$1,169,582, \$759,886, and \$14,694, respectively. The Sewer, Water and Farmers' Market funds experienced increases and decreases in net position of \$68,305, \$112,546 and \$(6,689) respectively. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City may amend its budget as new financial information or assumptions emerge during the year. The 2022/2023 budget was amended to reflect an increase in anticipated transfers and other factors. The overall effect between the original budget and the final amended budget was minimal.

Capital Asset and Debt Administration

Capital Assets. The City’s investment in capital assets for its governmental and business type activities as of June 30, 2023 was \$8,893,549 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City’s investment in capital assets for the current fiscal year was 3 percent (an 8 percent increase for governmental activities and a 5 percent decrease for business-type activities). The City completed three road construction projects in the current year, which is reflected in the governmental activities. No other major projects were started in the current year.

The City’s capital assets are shown in the following table.

City of Gladwin's Capital Assets						
(net of depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 401,583	\$ 401,583	\$ 48,184	\$ 48,184	\$ 449,767	\$ 449,767
Construction in Process	90,466	9,541	-	-	90,466	9,541
Land improvements	367,054	428,023	21,330	22,752	388,384	450,775
Buildings	172,565	177,848	5,075,952	5,299,172	5,248,517	5,477,020
Building improvements	-	21,720	-	-	-	21,720
Equipment and vehicles	291,599	283,424	134,794	174,667	426,393	458,091
Infrastructure	<u>2,290,022</u>	<u>2,026,225</u>	<u>-</u>	<u>-</u>	<u>2,290,022</u>	<u>2,026,225</u>
Total	<u>\$ 3,613,289</u>	<u>\$ 3,348,364</u>	<u>\$ 5,280,260</u>	<u>\$ 5,544,775</u>	<u>\$ 8,893,549</u>	<u>\$ 8,893,139</u>

Additional information on the City’s capital assets can be found in the Notes to Financial Statements on pages 38-41 in this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$1,610,393. Of this amount, \$185,000 comprises debt backed by the full faith and credit of the government, \$12,000 is backed by equipment and the remaining \$1,334,991 represents bonds secured solely by specified revenue sources.

City of Gladwin's Outstanding Debt						
General Obligation and Revenue Bonds						
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	\$ 185,000	\$ 360,000	\$ -	\$ -	\$ 185,000	\$ 360,000
Installment Loan	12,000	14,000	-	-	12,000	14,000
Vested Employee Benefits	70,115	88,663	8,287	13,641	78,402	102,304
Revenue bonds	-	-	1,334,991	1,398,991	1,334,991	1,398,991
Total	\$ 267,115	\$ 462,663	\$ 1,343,278	\$ 1,412,632	\$ 1,610,393	\$ 1,875,295

The City’s total debt, other than its net pension liability, decreased by \$264,902 due to regularly scheduled debt payments and the early pay-off of two outstanding bonds in the total amount of 90,000.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed value of all real and personal property subject to taxation in the City. As of June 30, 2023, the City’s direct and indirect debt of \$660,650 was below the legal limit of \$7,057,022.

Additional information on the City’s long-term debt activity can be found in the Notes to Financial Statements on pages 42-44 in this report.

Economic Factors and Next Year’s Budgets and Rates.

Next year’s budget will again be limited to the maintenance of existing services with an eye to keeping increases in departmental budgets to a minimum. Economic pressures and declining property values have made tax revenues a little uncertain. The state of the economy has encouraged the council to keep a tight budget until we can be certain of availability of funds. We continue to seek out federal and state funding so that we can move forward with infrastructure improvements and continue to meet the needs of the community without having to significantly increase rates and charges to provide essential services.

In order to increase accountability and arm ourselves with the tools necessary to adequately project when changes are needed in funding levels, we are monitoring new budget and cost procedures to better analyze our revenues and costs.

Requests for information.

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer’s office.

Basic Financial Statements

Statement of Net Position
June 30, 2023

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
ASSETS:				
<i>Current Assets</i>				
Cash and Equivalents - Unrestricted	\$ 4,568,281	\$ 1,775,977	\$ 6,344,258	\$ 229,645
Cash and Equivalents - Restricted	-	140,497	140,497	-
Investments	388,642	3,085	391,727	-
Accounts Receivable	157,182	140,625	297,807	863
Lease Receivable	-	7,977	7,977	-
Due from Governmental Units	149,080	-	149,080	-
Inventory and Prepaid Items	2,794	33,031	35,825	29,825
<i>Total Current Assets</i>	<u>5,265,979</u>	<u>2,101,192</u>	<u>7,367,171</u>	<u>260,333</u>
<i>Noncurrent Assets</i>				
Lease Receivable	-	421,800	421,800	-
Lease Asset	-	-	-	4,027
Capital Assets (Not Depreciated)	492,049	48,184	540,233	198,256
Capital Assets (Net of Accumulated Depreciation)	3,121,240	5,232,076	8,353,316	2,033,404
<i>Total Noncurrent Assets</i>	<u>3,613,289</u>	<u>5,702,060</u>	<u>9,315,349</u>	<u>2,235,687</u>
TOTAL ASSETS	<u>8,879,268</u>	<u>7,803,252</u>	<u>16,682,520</u>	<u>2,496,020</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Items	434,281	-	434,281	-
LIABILITIES:				
<i>Current Liabilities</i>				
Accounts Payable	54,860	17,264	72,124	1,019
Accrued Liabilities	33,934	10,066	44,000	936
Accrued Interest	1,565	12,876	14,441	-
Customer Deposits	56,972	2,646	59,618	5,920
Unearned Revenue	324,330	-	324,330	-
Bonds Payable	90,000	65,000	155,000	-
Notes Payable	2,000	-	2,000	-
Lease Payable	-	-	-	5,480
<i>Total Current Liabilities</i>	<u>563,661</u>	<u>107,852</u>	<u>671,513</u>	<u>13,355</u>
<i>Noncurrent Liabilities</i>				
Bonds Payable	95,000	1,269,991	1,364,991	-
Notes Payable	10,000	-	10,000	-
Lease Payable	-	-	-	191
Net Pension Liability	807,571	-	807,571	-
Vested Employee Benefits	70,115	8,287	78,402	-
<i>Total Noncurrent Liabilities</i>	<u>982,686</u>	<u>1,278,278</u>	<u>2,260,964</u>	<u>191</u>
TOTAL LIABILITIES	<u>1,546,347</u>	<u>1,386,130</u>	<u>2,932,477</u>	<u>13,546</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Items	21,196	-	21,196	-
Lease Related Items	-	408,431	408,431	-
TOTAL DEFERRED INFLOWS OF RESOURCES:	<u>21,196</u>	<u>408,431</u>	<u>429,627</u>	<u>-</u>
NET POSITION:				
Net Investment in Capital Assets	3,416,289	3,945,269	7,361,558	2,230,016
Restricted - for Street Improvements	2,405,323	-	2,405,323	-
Restricted - for Grants	196,896	-	196,896	-
Restricted - for Debt and Bond Reserves	98,145	140,497	238,642	-
Restricted - for Public Safety Purchases	166,914	-	166,914	-
Restricted - for School Resource Officer	945	-	945	-
Restricted - for Mosquito Control	2,456	-	2,456	-
Restricted - for Trust Purposes				
Expendable	81,791	-	81,791	-
Nonexpendable	143,899	-	143,899	-
Unrestricted	1,233,348	1,922,925	3,156,273	252,458
TOTAL NET POSITION	<u>\$ 7,746,006</u>	<u>\$ 6,008,691</u>	<u>\$ 13,754,697</u>	<u>\$ 2,482,474</u>

**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	\$ 612,614	\$ 50,841	\$ 63,889	\$ -	\$ (497,884)	\$ -	\$ (497,884)	\$ -
Public Safety	826,879	10,414	97,457	30,900	(688,108)	-	(688,108)	-
Public Works	932,745	322,065	869,636	5,035	263,991	-	263,991	-
Community and Economic Development	50,670	2,385	-	-	(48,285)	-	(48,285)	-
Recreation and Culture	227,542	136,777	-	-	(90,765)	-	(90,765)	-
Interest Expense	11,462	-	-	-	(11,462)	-	(11,462)	-
Total Governmental Activities	<u>2,661,912</u>	<u>522,482</u>	<u>1,030,982</u>	<u>35,935</u>	<u>(1,072,513)</u>	<u>-</u>	<u>(1,072,513)</u>	<u>-</u>
Business-type Activities:								
Sewer	553,575	761,388	-	-	-	207,813	207,813	-
Water	547,450	642,811	2,518	-	-	97,879	97,879	-
Farmers' Market	12,639	2,185	-	-	-	(10,454)	(10,454)	-
Total Business-type Activities	<u>1,113,664</u>	<u>1,406,384</u>	<u>2,518</u>	<u>-</u>	<u>-</u>	<u>295,238</u>	<u>295,238</u>	<u>-</u>
Total Primary Government	<u>\$ 3,775,576</u>	<u>\$ 1,928,866</u>	<u>\$ 1,033,500</u>	<u>\$ 35,935</u>	<u>(1,072,513)</u>	<u>295,238</u>	<u>(777,275)</u>	<u>-</u>
Component Units:								
Public Works								
Gladwin Zettel Memorial Airport	\$ 259,586	\$ 54,826	\$ 33,480	\$ -	-	-	-	(171,280)
Community and Economic Development:								
Downtown Development Authority	<u>606,986</u>	<u>4,158</u>	<u>66,135</u>	<u>-</u>	-	-	-	<u>(536,693)</u>
Total Component Units	<u>\$ 866,572</u>	<u>\$ 58,984</u>	<u>\$ 99,615</u>	<u>\$ -</u>	-	-	-	<u>(707,973)</u>
Total								
General Revenues:								
Property Taxes	-	-	-	-	1,208,477	-	1,208,477	235,024
State Revenue Sharing	-	-	-	-	412,320	-	412,320	-
Investment Earnings	-	-	-	-	37,589	37,393	74,982	35,208
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	5,500	-	5,500	(11,691)
Other Revenue	-	-	-	-	97,733	2,346	100,079	448
Total General Revenue	-	-	-	-	<u>1,761,619</u>	<u>39,739</u>	<u>1,801,358</u>	<u>258,989</u>
Transfers:								
Transfers	-	-	-	-	160,815	(160,815)	-	-
Total Transfers	-	-	-	-	<u>160,815</u>	<u>(160,815)</u>	<u>-</u>	<u>-</u>
Changes in Net Position	-	-	-	-	849,921	174,162	1,024,083	(448,984)
Net Position - Beginning (As Restated - See NOTE 13)	-	-	-	-	<u>6,896,085</u>	<u>5,834,529</u>	<u>12,730,614</u>	<u>2,931,458</u>
Net Position - Ending	-	-	-	-	<u>\$ 7,746,006</u>	<u>\$ 6,008,691</u>	<u>\$ 13,754,697</u>	<u>\$ 2,482,474</u>

See accompanying notes to financial statements.

City of Gladwin, Michigan

Balance Sheet Governmental Funds June 30, 2023

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Equivalents - Unrestricted	\$ 1,434,445	\$ 1,283,321	\$ 850,449	\$ 914,125	\$ 4,482,340
Investments	388,642	-	-	-	388,642
Accounts Receivable	157,182	-	-	-	157,182
Due from Governmental Units	65,763	58,382	24,935	-	149,080
Prepaid Items	2,794	-	-	-	2,794
TOTAL ASSETS	\$ 2,048,826	\$ 1,341,703	\$ 875,384	\$ 914,125	\$ 5,180,038
LIABILITIES:					
Accounts Payable	\$ 20,292	\$ -	\$ 30,213	\$ -	\$ 50,505
Customer Deposits	56,972	-	-	-	56,972
Accrued Payroll and Related Liabilities	29,051	815	977	2,838	33,681
Unearned Revenue	324,330	-	-	-	324,330
TOTAL LIABILITIES	430,645	815	31,190	2,838	465,488
FUND BALANCES:					
Nonspendable	2,794	-	-	143,899	146,693
Restricted	-	1,340,888	844,194	767,388	2,952,470
Committed	61,635	-	-	-	61,635
Assigned	2,331	-	-	-	2,331
Unassigned	1,551,421	-	-	-	1,551,421
TOTAL FUND BALANCES	1,618,181	1,340,888	844,194	911,287	4,714,550
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,048,826	\$ 1,341,703	\$ 875,384	\$ 914,125	

Reconciliation to amounts reported for governmental activities in the statement of net position:

Capital assets used by governmental activities	3,330,211
Compensated absences liability	(70,115)
Net pension liability and deferred inflows/outflows	(394,486)
Long-term notes and bonds payable for governmental activities	(185,000)
Accrued interest expense	(1,565)
Internal service funds included in governmental activities	352,411
Net position of governmental activities	\$ 7,746,006

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2023**

	General	Major Streets	Local Street	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:					
Taxes	\$ 945,058	\$ -	\$ -	\$ 263,419	\$ 1,208,477
Special Assessments	3,233	-	-	30,010	33,243
Licenses and Permits	48,159	-	-	-	48,159
Federal Sources	5,035	-	-	-	5,035
State Sources	442,814	360,699	146,937	3,091	953,541
Local Sources	117,761	352,000	20,000	-	489,761
Charges for Services	441,080	-	-	-	441,080
Interest and Rents	29,233	5,370	3,110	2,891	40,604
Other Revenue	26,773	-	-	67,945	94,718
TOTAL REVENUES	2,059,146	718,069	170,047	367,356	3,314,618
EXPENDITURES:					
Current					
General Government	578,090	-	-	-	578,090
Public Safety	582,762	-	-	178,277	761,039
Public Works	471,815	78,489	102,427	27,060	679,791
Community and Economic Development	50,670	-	-	-	50,670
Recreation and Cultural	166,767	-	-	-	166,767
Capital Outlay	7,000	264,358	90,466	-	361,824
Debt Service	93,781	-	-	96,515	190,296
TOTAL EXPENDITURES	1,950,885	342,847	192,893	301,852	2,788,477
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	108,261	375,222	(22,846)	65,504	526,141
OTHER FINANCING SOURCES (USES):					
Transfers In	73,010	20,000	265,000	96,515	454,525
Transfers Out	(43,700)	(150,000)	-	(123,010)	(316,710)
TOTAL OTHER FINANCING SOURCES (USES)	29,310	(130,000)	265,000	(26,495)	137,815
NET CHANGE IN FUND BALANCES	137,571	245,222	242,154	39,009	663,956
FUND BALANCE, BEGINNING OF YEAR	1,480,610	1,095,666	602,040	872,278	4,050,594
FUND BALANCE, END OF YEAR	\$ 1,618,181	\$ 1,340,888	\$ 844,194	\$ 911,287	\$ 4,714,550

**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 changes in fund balances - total governmental funds \$ 663,956

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

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$361,824 exceeded depreciation (\$288,785) 73,039

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.
Principal payments 175,000

An internal service fund is used by management to charge the costs of certain activities, such as equipment costs, to individual funds. The net revenue of the internal service funds is reported with governmental activities. 2,786

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:

Compensated absences	25,331
Pension items	(92,025)
Accrued interest	1,834
	<hr/>

Changes in net position of governmental activities \$ 849,921

**Statement of Revenues, Expenditures, and
Changes in Fund Balances Budget and Actual - General Fund
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 945,094	\$ 944,704	\$ 945,058	\$ 354
Special Assessments	300	3,840	3,233	(607)
Licenses and Permits	53,255	49,501	48,159	(1,342)
Federal Sources	109,288	5,100	5,035	(65)
State Sources	405,249	447,566	442,814	(4,752)
Local Sources	61,956	117,761	117,761	-
Charges for Services	429,099	427,761	441,080	13,319
Interest and Rents	5,830	28,028	29,233	1,205
Other Revenue	14,610	26,643	26,773	130
TOTAL REVENUES	2,024,681	2,050,904	2,059,146	8,242
EXPENDITURES:				
General Government:				
City Council	55,190	72,450	71,374	1,076
Administrator	91,107	91,260	90,420	840
Clerk	83,815	79,125	78,381	744
Treasurer	77,407	80,702	80,249	453
Building and Grounds	21,690	23,790	22,766	1,024
Assessor	70,325	67,305	67,070	235
Elections	12,100	15,965	14,783	1,182
Audit	18,750	19,000	18,400	600
Attorney	14,000	23,000	21,875	1,125
General Office	106,054	116,709	111,733	4,976
Board of Review	1,265	1,046	1,039	7
Total General Government	551,703	590,352	578,090	12,262
Public Safety:				
Police Department	582,598	572,060	566,416	5,644
Code Enforcement	6,286	6,378	6,346	32
Fire Department	10,000	10,000	10,000	-
Total Public Safety	598,884	588,438	582,762	5,676
Public Works:				
Cemetery	58,506	66,957	62,720	4,237
Solid Waste	244,440	242,109	240,816	1,293
Public Works	113,606	129,153	125,136	4,017
Street Lighting	52,000	45,700	43,143	2,557
Total Public Works	468,552	483,919	471,815	12,104
Community and Economic Development:				
Board of Appeals	1,030	1,790	1,624	166
Planning	2,500	7,000	5,752	1,248
Zoning	49,010	44,300	43,294	1,006
Total Community and Economic Development	52,540	53,090	50,670	2,420

**Statement of Revenues, Expenditures, and
Changes in Fund Balances Budget and Actual - General Fund
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES: (Continued)				
Recreation and Culture:				
Community Center	26,170	7,423	7,423	-
Community Garden	-	26	26	-
Parks and Recreation	152,003	164,371	159,318	5,053
Total Recreation and Culture	178,173	171,820	166,767	5,053
Capital Outlay	67,100	7,500	7,000	500
Debt Service	19,375	93,781	93,781	-
TOTAL EXPENDITURES	1,936,327	1,988,900	1,950,885	38,015
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	88,354	62,004	108,261	46,257
OTHER FINANCING SOURCES (USES):				
Transfers In	65,500	65,500	73,010	7,510
Transfers Out	(43,700)	(43,700)	(43,700)	-
TOTAL OTHER FINANCING SOURCES (USES)	21,800	21,800	29,310	7,510
NET CHANGE IN FUND BALANCES	<u>\$ 110,154</u>	<u>\$ 83,804</u>	137,571	<u>\$ 53,767</u>
FUND BALANCE, BEGINNING OF YEAR			1,480,610	
FUND BALANCE, END OF YEAR			<u>\$ 1,618,181</u>	

**Statement of Revenues, Expenditures, and
Changes in Fund Balances Budget and Actual - Major Streets Fund
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 349,525	\$ 351,225	\$ 360,699	\$ 9,474
Local Sources	352,000	352,000	352,000	-
Interest	140	5,580	5,370	(210)
TOTAL REVENUES	701,665	708,805	718,069	9,264
EXPENDITURES:				
Public Works	83,490	81,218	78,489	2,729
Capital Outlay	540,000	265,000	264,358	642
TOTAL EXPENDITURES	623,490	346,218	342,847	3,371
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	78,175	362,587	375,222	12,635
OTHER FINANCING SOURCES (USES):				
Transfers In	20,000	20,000	20,000	-
Transfers Out	(150,000)	(150,000)	(150,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(130,000)	(130,000)	(130,000)	-
NET CHANGE IN FUND BALANCES	\$ (51,825)	\$ 232,587	245,222	\$ 12,635
FUND BALANCE, BEGINNING OF YEAR			1,095,666	
FUND BALANCE, END OF YEAR			\$ 1,340,888	

**Statement of Revenues, Expenditures, and
Changes in Fund Balances Budget and Actual - Local Streets Fund
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 143,453	\$ 143,453	\$ 146,937	\$ 3,484
Local Sources	20,000	20,000	20,000	-
Interest	25	3,260	3,110	(150)
TOTAL REVENUES	163,478	166,713	170,047	3,334
EXPENDITURES:				
Public Works	346,090	109,473	102,427	7,046
Capital Outlay	-	73,000	90,466	(17,466)
TOTAL EXPENDITURES	346,090	182,473	192,893	(10,420)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(182,612)	(15,760)	(22,846)	13,754
OTHER FINANCING SOURCES:				
Transfers In	265,000	265,000	265,000	-
NET CHANGE IN FUND BALANCES	\$ 82,388	\$ 249,240	242,154	\$ 13,754
FUND BALANCE, BEGINNING OF YEAR			602,040	
FUND BALANCE, END OF YEAR			\$ 844,194	

**Statement of Net Position
Proprietary Funds
June 30, 2023**

	Business - type Activities Enterprise Funds			Total	Governmental Activities
	Sewer	Water	Nonmajor		Internal Service Fund
			Farmers Market		
ASSETS:					
<i>Current Assets</i>					
Cash and Equivalents - Unrestricted	\$ 1,124,346	\$ 657,167	\$ 15,701	\$ 1,797,214	\$ 64,704
Cash and Equivalents - Restricted	-	140,497	-	140,497	-
Investments	-	3,085	-	3,085	-
Accounts Receivable	72,543	67,082	1,000	140,625	-
Lease Receivable	-	7,977	-	7,977	-
Inventory	-	32,837	-	32,837	-
Prepaid Items	97	97	-	194	-
<i>Total Current Assets</i>	<u>1,196,986</u>	<u>908,742</u>	<u>16,701</u>	<u>2,122,429</u>	<u>64,704</u>
<i>Noncurrent Assets</i>					
Lease Receivable	-	421,800	-	421,800	-
Capital Assets (Not Depreciated)	11,200	36,984	-	48,184	-
Capital Assets (Net of Accumulated Depreciation)	1,230,500	3,784,689	216,887	5,232,076	283,078
<i>Total Noncurrent Assets</i>	<u>1,241,700</u>	<u>4,243,473</u>	<u>216,887</u>	<u>5,702,060</u>	<u>283,078</u>
TOTAL ASSETS	<u>2,438,686</u>	<u>5,152,215</u>	<u>233,588</u>	<u>7,824,489</u>	<u>347,782</u>
LIABILITIES:					
<i>Current Liabilities</i>					
Accounts Payable	13,710	1,547	2,007	17,264	4,355
Accrued Payroll and Related Liabilities	5,407	4,659	-	10,066	253
Customer Deposits	-	2,646	-	2,646	-
Accrued Interest Payable	-	12,876	-	12,876	-
Bonds Payable	-	65,000	-	65,000	-
<i>Total Current Liabilities</i>	<u>19,117</u>	<u>86,728</u>	<u>2,007</u>	<u>107,852</u>	<u>4,608</u>
<i>Noncurrent Liabilities</i>					
Compensated Absences	8,287	-	-	8,287	-
Installment Loans Payable	-	-	-	-	12,000
Bonds Payable	-	1,269,991	-	1,269,991	-
<i>Total Noncurrent Liabilities</i>	<u>8,287</u>	<u>1,269,991</u>	<u>-</u>	<u>1,278,278</u>	<u>12,000</u>
TOTAL LIABILITIES	<u>27,404</u>	<u>1,356,719</u>	<u>2,007</u>	<u>1,386,130</u>	<u>16,608</u>
DEFERRED INFLOW OF RESOURCES:					
Lease Items	-	408,431	-	408,431	-
NET POSITION:					
Net Investment in Capital Assets	1,241,700	2,486,682	216,887	3,945,269	271,078
Restricted for Bond Reserves	-	140,497	-	140,497	-
Unrestricted	1,169,582	759,886	14,694	1,944,162	60,096
TOTAL NET POSITION	<u>\$ 2,411,282</u>	<u>\$ 3,387,065</u>	<u>\$ 231,581</u>	<u>6,029,928</u>	<u>\$ 331,174</u>

Adjustment to reflect the consolidation of internal
service fund activities related to enterprise funds. (21,237)

Net position of business-type activities \$ 6,008,691

**Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2023**

	Business - type Activities Enterprise Funds				Governmental Activities
	Sewer	Water	Nonmajor	Total	Internal Service Fund
			Farmers Market		
OPERATING REVENUES:					
Charges for Services	\$ 761,388	\$ 642,811	\$ 2,185	\$ 1,406,384	\$ 135,897
Other Revenue	2,346	-	-	2,346	1,780
Total Operating Revenues	<u>763,734</u>	<u>642,811</u>	<u>2,185</u>	<u>1,408,730</u>	<u>137,677</u>
OPERATING EXPENSES:					
Personnel Services	207,229	147,000	-	354,229	35,509
Contracted Services	79,711	32,392	1,321	113,424	-
Insurance	4,319	6,359	-	10,678	13,116
Equipment Rental	16,031	19,158	-	35,189	526
Supplies	68,856	49,732	-	118,588	30,341
Fuel	-	-	-	-	38,514
Utilities	69,534	48,578	366	118,478	-
Repair and Maintenance	6,849	16,672	-	23,521	16,787
Depreciation	78,211	176,520	9,784	264,515	61,009
Miscellaneous	22,835	14,984	1,168	38,987	1,131
Total Operating Expenses	<u>553,575</u>	<u>511,395</u>	<u>12,639</u>	<u>1,077,609</u>	<u>196,933</u>
OPERATING INCOME (LOSS)	<u>210,159</u>	<u>131,416</u>	<u>(10,454)</u>	<u>331,121</u>	<u>(59,256)</u>
NON-OPERATING REVENUES (EXPENSES):					
State Grants	-	2,518	-	2,518	-
Interest and Rents	4,661	32,667	65	37,393	3,132
Gain on Disposal of Capital Assets	-	-	-	-	5,500
Interest Expense	-	(36,055)	-	(36,055)	(490)
Total Non-Operating Revenues (Expenses)	<u>4,661</u>	<u>(870)</u>	<u>65</u>	<u>3,856</u>	<u>8,142</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	214,820	130,546	(10,389)	334,977	(51,114)
TRANSFERS AND CAPITAL CONTRIBUTIONS:					
Capital Contributions - Federal Grant	-	-	-	-	30,900
Transfers In	-	10,000	3,700	13,700	30,000
Transfers Out	(146,515)	(28,000)	-	(174,515)	(7,000)
Total Transfers and Capital Contributions	<u>(146,515)</u>	<u>(18,000)</u>	<u>3,700</u>	<u>(160,815)</u>	<u>53,900</u>
CHANGES IN NET POSITION	68,305	112,546	(6,689)	174,162	2,786
NET POSITION, JULY 1 (As Restated - See NOTE 13)	<u>2,342,977</u>	<u>3,274,519</u>	<u>238,270</u>	<u>5,855,766</u>	<u>328,388</u>
NET POSITION, JUNE 30	<u>\$ 2,411,282</u>	<u>\$ 3,387,065</u>	<u>\$ 231,581</u>	<u>\$ 6,029,928</u>	<u>\$ 331,174</u>
Change in net position, above				\$ 174,162	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>-</u>	
Change in net position of business-type activities				<u>\$ 174,162</u>	

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

	Business - type Activities Enterprise Funds				Governmental Activities
	Sewer	Water	Nonmajor Farmers Market	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 722,287	\$ 606,490	\$ 1,185	\$ 1,329,962	\$ -
Payments to Suppliers	(272,740)	(196,032)	(2,709)	(471,481)	(100,470)
Payments to Employees	(211,360)	(144,382)	-	(355,742)	(35,343)
Other Cash Receipts	2,346	-	-	2,346	1,780
Internal Activity - Payments/Receipts with Other Funds	-	-	-	-	135,897
Net Cash Provided by (Used for) Operating Activities	<u>240,533</u>	<u>266,076</u>	<u>(1,524)</u>	<u>505,085</u>	<u>1,864</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:					
Cash Received from Grants	-	2,518	-	2,518	-
Transfers In	-	10,000	3,700	13,700	30,000
Transfers Out	(146,515)	(28,000)	-	(174,515)	(7,000)
Net Cash Provided by (Used for) by Noncapital and Related Financing Activities	<u>(146,515)</u>	<u>(15,482)</u>	<u>3,700</u>	<u>(158,297)</u>	<u>23,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Cash Received from Grants	-	-	-	-	30,900
Purchase of Capital Assets	-	-	-	-	(76,657)
Proceeds from Sale of Capital Assets	-	-	-	-	5,500
Principal Received on Lease Receivable	-	7,780	-	7,780	-
Interest Received on Lease Receivable	-	10,850	-	10,850	-
Interest Paid on Capital Debt	-	(36,055)	-	(36,055)	(490)
Principal Paid on Capital Debt	-	(64,000)	-	(64,000)	(2,000)
Net Cash Used for Capital and Related Financing Activities	<u>-</u>	<u>(81,425)</u>	<u>-</u>	<u>(81,425)</u>	<u>(42,747)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Income received on investments	4,661	3,341	65	8,067	3,132
Net Cash Provided by Investing Activities	<u>4,661</u>	<u>3,341</u>	<u>65</u>	<u>8,067</u>	<u>3,132</u>
Net Increase (Decrease) in Cash and Equivalents	98,679	172,510	2,241	273,430	(14,751)
Balances - Beginning of the Year	1,025,667	625,154	13,460	1,664,281	79,455
Balances - End of the Year	<u>\$ 1,124,346</u>	<u>\$ 797,664</u>	<u>\$ 15,701</u>	<u>\$ 1,937,711</u>	<u>\$ 64,704</u>
RECONCILIATION TO STATEMENT OF NET POSITION:					
Cash and Equivalents - Unrestricted	1,124,346	657,167	15,701	1,797,214	64,704
Cash and Equivalents - Restricted	-	140,497	-	140,497	-
Total Cash and Equivalents	<u>1,124,346</u>	<u>797,664</u>	<u>15,701</u>	<u>1,937,711</u>	<u>64,704</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating Income (Loss)	\$ 210,159	\$ 131,416	\$ (10,454)	\$ 331,121	\$ (59,256)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Depreciation Expense	78,211	176,520	9,784	264,515	61,009
Change in Assets and Liabilities:					
Accounts Receivable	(39,101)	(38,967)	(1,000)	(79,068)	-
Inventory	-	(578)	-	(578)	-
Prepaid Items	(9)	(9)	-	(18)	-
Accounts Payable	(4,596)	(7,035)	146	(11,485)	(55)
Accrued Payroll and Related Liabilities	1,223	2,618	-	3,841	166
Customer Deposits	-	2,646	-	2,646	-
Accrued Interest Payable	-	(535)	-	(535)	-
Compensated Absences	(5,354)	-	-	(5,354)	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 240,533</u>	<u>\$ 266,076</u>	<u>\$ (1,524)</u>	<u>\$ 505,085</u>	<u>\$ 1,864</u>

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	<u>Custodial Funds</u>
ASSETS:	
Due from Other Governmental Units	\$ 25,000
TOTAL ASSETS	<u>\$ 25,000</u>
LIABILITIES:	
Due to or on Behalf of Others	\$ 25,000
TOTAL LIABILITIES	<u>25,000</u>
NET POSITION:	
Unrestricted	<u>-</u>
TOTAL NET POSITION	<u>\$ -</u>

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023**

	<u>Custodial Funds</u>
ADDITIONS:	
Taxes Collected for Other Governments	\$ 2,192,130
Payments in Lieu of Taxes Collected for Other Governments	51,171
Grants	<u>25,000</u>
TOTAL ADDITIONS	<u>2,268,301</u>
DEDUCTIONS:	
Payments of Taxes to Other Governments	2,185,268
Payments in Lieu of Taxes Paid to Other Governments	51,171
Overpayment of Taxes to Taxpayers	6,862
Pass-through of Grants to Others	<u>25,000</u>
TOTAL DEDUCTIONS	<u>2,268,301</u>
Change in Net Position	-
Net Position, Beginning of Year	<u>-</u>
Net Position, End of Year	<u><u>\$ -</u></u>

	Downtown Development Authority	Gladwin Zettel Memorial Airport	Economic Development Corporation	Totals
ASSETS:				
Cash and Equivalents	\$ 47,002	\$ 157,547	\$ 25,096	\$ 229,645
Accounts Receivable	-	863	-	863
Inventory	-	29,825	-	29,825
Lease Asset	-	4,027	-	4,027
Capital Assets Not Depreciated	141,256	57,000	-	198,256
Capital Assets Net of Accumulated Depreciation	252,589	1,780,815	-	2,033,404
TOTAL ASSETS	440,847	2,030,077	25,096	2,496,020
LIABILITIES:				
Accounts Payable	194	825	-	1,019
Accrued Liabilities	936	-	-	936
Security Deposits	-	5,920	-	5,920
Leases Payable	-	5,671	-	5,671
TOTAL LIABILITIES	1,130	12,416	-	13,546
NET POSITION:				
Net Investment in Capital Assets	393,845	1,836,171	-	2,230,016
Unrestricted	45,872	181,490	25,096	252,458
TOTAL NET POSITION	\$ 439,717	\$ 2,017,661	\$ 25,096	\$ 2,482,474

**Combining Statement of Revenues, Expenses
and Changes in Net Position
Component Units
For the Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Gladwin Zettel Memorial Airport	Economic Development Corporation	
Community and Economic Development:								
Economic Development Corporation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Works:								
Gladwin Zettel Memorial Airport	259,586	54,826	33,480	-	-	(171,280)	-	(171,280)
Community and Economic Development:								
Downtown Development Authority	606,986	4,158	66,135	-	(536,693)	-	-	(536,693)
Total Component Units	<u>\$ 866,572</u>	<u>\$ 58,984</u>	<u>\$ 99,615</u>	<u>\$ -</u>	<u>(536,693)</u>	<u>(171,280)</u>	<u>-</u>	<u>(707,973)</u>
General Revenues:								
Property Taxes					235,024	-	-	235,024
Loss on Disposal of Capital Assets					(11,691)	-	-	(11,691)
Interest Income					522	34,678	8	35,208
Other Revenue					-	448	-	448
Total General Revenues					<u>223,855</u>	<u>35,126</u>	<u>8</u>	<u>258,989</u>
Changes in Net Position					(312,838)	(136,154)	8	(448,984)
Net Position - Beginning					<u>752,555</u>	<u>2,153,815</u>	<u>25,088</u>	<u>2,931,458</u>
Net Position - Ending					<u>\$ 439,717</u>	<u>\$ 2,017,661</u>	<u>\$ 25,096</u>	<u>\$ 2,482,474</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Gladwin, Michigan (the “City”), conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the City of Gladwin.

A. Reporting Entity

The City is organized under Michigan’s Comprehensive Home Rule City Act. An eight-member City Council (Council) is the governing body elected by the community at large. The community also elects the Mayor. The Council appoints a City Administrator. As required by GAAP, the financial statements of the reporting entity include those of the City and its component units. The component units discussed below are included in the City’s reporting entity because they are entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

Discretely Presented Component Units

Downtown Development Authority (DDA) – The City appoints a voting majority and is able to impose its will on the DDA. It has incurred specific financial burdens in the form of general obligation bonds and is responsible for compliance with federal grants received in conjunction with the DDA’s projects. In accordance with Statement of Michigan Governmental Accounting and Auditing No. 5, the DDA has been discretely presented. The DDA does not issue any other formal financial statements except as contained in the City’s Annual Comprehensive Financial Report.

Economic Development Corporation (EDC) – The City appoints a voting majority of the EDC Board and is able to impose its will on the EDC. The primary purpose of the EDC is to encourage and assist commercial enterprises to locate and expand facilities and services to the City and its residents. In accordance with the terms of the lease contracts, the EDC in conjunction with the City issues bonds and the commercial enterprise agrees to make lease payments in amounts equal to the bond principal and interest. The bond proceeds are used to finance projects, which will benefit the commercial enterprise. The bonds are payable from the net revenues derived from the project and are collateralized by mortgages on the projects and the lease contracts. The EDC financial statements are discretely presented as part of the City. The EDC does not issue any other formal financial statements except as contained in the City’s Annual Comprehensive Financial Report.

Gladwin Zettel Memorial Airport (Airport) – The City is a participant with Gladwin County (County) in a joint venture to operate the Airport. The City and County equally appoint the Airport Board; however, the City is able to impose its will and has assumed the obligation to provide financial support to the Airport and to finance deficits as they occur. Thus, the Airport’s financial statements are discretely presented as part of the City. The Airport does not issue any other formal statements except as contained in the City’s Annual Comprehensive Financial Report.

Jointly Governed Organization

Gladwin County Trails Recreation Authority - The Gladwin County Trails Recreation Authority (the “Authority”) was created as a non-profit corporation in 2014 under provisions of Act 321, Michigan Public Acts of 2000. The local governments comprising the Authority include the City of Gladwin, the City of Beaverton, the Township of Grout, the Township of Buckeye and the Township of Tobacco. The Authority provides trail and facility maintenance. The Authority is not included in any other governmental “reporting entity” as defined by GASB 61, since none of these governmental units appoint a majority of the Authority’s board, the board members have decision making authority, the authority to set rates, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**B. Government-Wide Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the City and its component units. These statements include the financial activities of the overall City. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. *Governmental activities* are financed through charges for services, property taxes, intergovernmental revenues, and other non-exchange transactions. *Business-type activities* are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each activity of its governmental programs, business-type activities and component units. *Direct expenses* are those that are specifically associated with an activity and, therefore, are clearly identifiable to that activity. Indirect expense allocations are included as part of program expenses in the Statement of Activities. Eliminations have been made to minimize the double counting of internal activities. *Program revenues* include fees, fines, and charges paid by the recipients of goods or services and grants and contributions that are restricted to meeting operational or capital requirements. Revenues that are not classified as program revenues, including property taxes and interest earnings, are presented as *general revenues*.

Net position is reported as restricted when constraints placed on net position uses are either externally restricted, imposed by creditors (such as through grantors, contributors, or laws), or through constitutional provisions or enabling legislation.

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 proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash is disbursed.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements. 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. The City considers property tax revenue reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under leases are reported as other financing sources. All 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 the 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 Street Fund* accounts for the use of motor fuel taxes which are restricted by State statutes for major street and highway purposes.

The *Local Street Fund* accounts for the use of motor fuel taxes which are restricted by State statutes for local street purposes.

The City reports the following major proprietary funds:

The *Sewer Fund* accounts for the activities of collecting and treating waste waters.

The *Water Fund* accounts for the costs of providing water services to City residents.

Additionally, the City reports the following fund types:

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

Custodial Fund. account for assets held by the City acting as a custodian for individuals and/or other entities. The City uses a custodial fund for tax collection of others.

Special Revenue Funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Capital Project Fund. This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities or capital assets.

Debt Service Funds. These debt service funds account for the servicing of general long-term debt.

Permanent Fund. This fund accounts for the cemetery perpetual care.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund activity consists of transfers, services provided and/or used, reimbursements, advances, and loans. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions.

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 enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash, Equivalents, and Investments

The City's cash and equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Some of the cash resources of the individual funds are combined to form a pool of cash for cash management purposes. Interest income earned as a result of pooling is distributed to the appropriate funds based on the ending monthly balance of pooled cash in each fund. Funds that incur a negative balance in pooled cash during the year are not charged interest. No reclassification has been made at year end for negative balances of pooled cash.

Investments for the government, as well as its component units, are reported at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reports as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Receivables for federal, state and local grants, and state shared revenue, are recorded as revenue in all fund types as earned.

Receivables of the proprietary fund types are recorded as revenue when earned, including services earned but not billed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Property Taxes***

The City's summer property taxes are levied each July 1st on the taxable valuation of property located in the City as of the preceding December 31st, the lien date. Property taxes are payable without penalty and interest through July 31st. As of March 1st of the succeeding year, unpaid real property taxes are sold to and collected by Gladwin County.

Assessed values are established annually by the City and are equalized by the State at an estimated 50 percent of current market value. Taxable values change annually, due to the Consumer Price Index and any construction added to the property. Real and personal property in the City for the 2022 levy had a taxable value of \$69,326,851.

The City's operating tax rate for the 2022 levy, collected in the fiscal year ended June 30, 2023, was 14.4772 mills for operating and 1.9990 mills for debt.

Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Inventories and Prepaid Items

In the enterprise funds, inventories are valued at cost using the first-in, first-out or specific identification method. The costs of inventories in the governmental funds are recorded as expenditures when purchased, which is the purchase method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the City), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets, donated works of art, and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all roads and streets regardless of their acquisition date or amount.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Land Improvements	20 Years
Buildings	30 years
Building Improvements	10 years
Equipment	5 to 30 years
Vehicles	5 to 10 years
Water and Sewer Lines	30 years
Storm Sewer	50 years
Disposal System	30 years
Roads and Other Infrastructure	3 to 50 years

Right to Use Lease Asset

The City has recorded right to use lease assets with an initial, individual value of \$5,000 or more as a result of implementing GASB Statement No. 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus any ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has pension items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The government has pension and lease items that qualify for reporting in this category.

Defined Benefit Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System of Michigan (MERS) Pension Plan, and additions to/ deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. 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.

Vested Employee Benefits Payable

The City's policies regarding vacation and sick time allow employees to accumulate earned but unused vacation and sick time. The governmental funds do not report a liability for these compensated absences as they are not payable from current available financial resources. The liability for governmental activity compensated absences is recorded as long-term debt in government-wide financial statements. Proprietary funds report the liability as incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***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 recorded as deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as period expenses.

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.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable**: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Inventory and Prepaid Items as being Nonspendable as these items are not expected to be converted to cash within the next year, in addition to the amounts placed with the City in trust to be invested in the Cemetery Perpetual Care Fund as this item is contractually required to stay intact. The City has \$146,693 in nonspendable fund balance.
- **Restricted**: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has \$2,952,470 in restricted fund balance that is limited by laws and regulations of others. This amount is made up of \$98,145 for debt service, \$2,405,323 for street maintenance and construction, \$131,349 for drug law enforcement, \$65,547 for the iron removal plant capital project, \$2,456 for mosquito control, \$135,653 for public safety purchases, \$945 for the school resource office, and \$81,791 of earnings on investments in trust.
- **Committed**: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. The City Council is the highest level of decision-making authority for the City Council. Commitments may be established, modified, or rescinded only through ordinances approved by the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City Council has committed \$41,635 for City Hall improvements and \$20,000 for unfunded liabilities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Assigned:** This classification includes amounts that are constrained by the City’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has assigned \$500 for park improvements and \$1,831 for skate parks.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

To preserve a sound financial system and to provide a stable financial base, the City has adopted a Minimum Unassigned Fund Balance policy. At a minimum, unassigned fund balance of \$400,000 will be maintained. The minimum unassigned fund balance will be determined each year and reported as part of the fiscal budget.

Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Basis of Accounting

Annual budgets are adopted for the General Fund and all special revenue funds. The City Administrator submits to the City Council, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on a basis consistent with the accounting basis utilized by the fund. Public hearings are conducted to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through a resolution passed by the City Council. The budget and approved appropriations lapse at the end of the fiscal year. The City does not maintain a formal encumbrance accounting system. The budgets are adopted on a functional basis. Expenditures may not legally exceed the budgeted amounts by function for these funds. The City Administrator may revise the budget to the extent that expenditures of a function are not altered by an amount in excess of \$5,000.

Any revisions that alter the total expenditures of the department/activity in excess of \$5,000 require approval by the Council.

Comparisons to budget are presented as required by GAAP for all governmental funds for which budgets were legally adopted. Budgets are adopted on a basis consistent with GAAP.

NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS

At year end, the City’s cash, equivalents and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Equivalents - Unrestricted	\$ 4,568,281	\$ 1,775,977	\$ 6,344,258	\$ -	\$ 229,645
Cash and Equivalents - Restricted	-	140,497	140,497	-	-
Investments – Restricted	<u>388,642</u>	<u>3,085</u>	<u>391,727</u>	-	-
Total	<u>\$ 4,956,923</u>	<u>\$ 1,919,559</u>	<u>\$ 6,876,482</u>	<u>\$ -</u>	<u>\$ 229,645</u>

The breakdown between cash and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit and money market accounts)	\$ 6,484,055	\$ -	\$ 229,445
Petty Cash and Cash on Hand	700	-	200
Investments	<u>391,727</u>	-	-
Total	<u>\$ 6,876,482</u>	<u>\$ -</u>	<u>\$ 229,645</u>

Interest Rate Risk. State law limits the allowable investments and maturities of some of the allowable investments as identified above. The City’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure of fair value losses arising from decreasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers’ acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The City’s investment policy does not have specific limits in excess of state law or investment credit risk. MI Class investments held by the City have a credit rating of AAAM.

Custodial Credit Risk - Deposit. Custodial deposit credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned. State law does not require, and the City does not have a policy for deposit custodial credit risk. As of year-end, \$6,486,916 of the City’s bank balance of \$6,743,246 was exposed to credit risk because it was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require, and the City does not have a policy for investment custodial credit risk. The City’s investment is in the Michigan CLASS pool, not the securities that make up the pool. Therefore, there is no custodial credit risk to be disclosed.

NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS (Continued)

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified above. The City’s investment policy also does not have specific limits in concentration of credit risk. None of the investments held by the City exceeds five percent of the City’s total investments.

Fair Value Measurement. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the measurements required judgement and considers factors specific to each asset or liability.

The investment pools held by the City consist of Michigan CLASS investments. Such investments are measured at fair value in accordance with Paragraph 41 of Statement 79 and Paragraph 11 of Statement 31, and therefore are not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a (2) of Statement 72.

Statutory Authority:

Public Act 20 of 1943, entitled “An act relative to the investment of funds of public corporations of the state; and to validate certain investments,” by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers’ acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio’s assets for temporary or emergency purposes.

NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS (Continued)

- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds' investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The City's deposits and investment policy are in accordance with statutory authority.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the *primary government* for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 401,583	\$ -	\$ -	\$ 401,583
Construction in Process	<u>9,541</u>	<u>90,466</u>	<u>(9,541)</u>	<u>90,466</u>
Subtotal	<u>411,124</u>	<u>90,466</u>	<u>(9,541)</u>	<u>492,049</u>
<i>Capital assets being depreciated:</i>				
Land Improvements	1,574,019	14,080	-	1,588,099
Buildings	822,339	7,000	-	829,339
Buildings and Improvements	454,559	-	-	454,559
Equipment and Vehicles	1,378,402	76,657	(58,778)	1,396,281
Infrastructure	<u>15,143,682</u>	<u>436,057</u>	<u>-</u>	<u>15,579,739</u>
Subtotal	<u>19,373,001</u>	<u>533,794</u>	<u>(58,778)</u>	<u>19,848,017</u>
<i>Less accumulated depreciation for:</i>				
Land Improvements	(1,145,996)	(75,049)	-	(1,221,045)
Buildings	(644,491)	(12,283)	-	(656,774)
Buildings and Improvements	(432,839)	(21,720)	-	(454,559)
Equipment and Vehicles	(1,094,978)	(68,482)	58,778	(1,104,682)
Infrastructure	<u>(13,117,457)</u>	<u>(172,260)</u>	<u>-</u>	<u>(13,289,717)</u>
Subtotal	<u>(16,435,761)</u>	<u>(349,794)</u>	<u>58,778</u>	<u>(16,726,777)</u>
Net Capital Assets Being Depreciated	<u>2,937,240</u>	<u>184,000</u>	<u>-</u>	<u>3,121,240</u>
Capital Assets – Net	<u>\$ 3,348,364</u>	<u>\$ 274,466</u>	<u>\$ (9,541)</u>	<u>\$ 3,613,289</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental Activities		
General Government		\$ 8,338
Public Safety		18,438
Public Works		201,234
Recreation and Culture		60,775
Internal Service		<u>61,009</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 349,794</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 48,184	\$ -	\$ -	\$ 48,184
<i>Capital assets being depreciated:</i>				
Land Improvements	123,764	-	-	123,764
Building and System	15,384,851	-	-	15,384,851
Equipment and Vehicles	<u>805,440</u>	<u>-</u>	<u>-</u>	<u>805,440</u>
Subtotal	<u>16,314,055</u>	<u>-</u>	<u>-</u>	<u>16,314,055</u>
<i>Less accumulated depreciation for:</i>				
Land Improvements	(101,012)	(1,422)	-	(102,434)
Building and System	(10,085,679)	(223,220)	-	(10,308,899)
Equipment and Vehicles	<u>(630,773)</u>	<u>(39,873)</u>	<u>-</u>	<u>(670,646)</u>
Subtotal	<u>(10,817,464)</u>	<u>(264,515)</u>	<u>-</u>	<u>(11,081,979)</u>
Net Capital Assets Being Depreciated	<u>5,496,591</u>	<u>(264,515)</u>	<u>-</u>	<u>5,232,076</u>
Capital Assets – Net	<u>\$ 5,544,775</u>	<u>\$ (264,515)</u>	<u>\$ -</u>	<u>\$ 5,280,260</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type Activities		
Water		\$ 176,520
Sewer		78,211
Farmers		<u>9,784</u>
Total Depreciation Expense - Business-type Activities		<u>\$ 264,515</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Capital asset activity for the *discretely presented component units* for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balances</u>
Downtown Development Authority:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 141,256	\$ -	\$ -	\$ 141,256
<i>Capital assets being depreciated:</i>				
Land Improvements	153,089	-	-	153,089
Infrastructure	409,378	-	-	409,378
Buildings	6,451	-	-	6,451
Equipment and Vehicles	<u>163,509</u>	<u>44,448</u>	<u>(25,980)</u>	<u>181,977</u>
Subtotal	<u>732,427</u>	<u>44,448</u>	<u>(25,980)</u>	<u>750,895</u>
<i>Less accumulated depreciation:</i>				
Land Improvements	(88,304)	(7,654)	-	(95,961)
Infrastructure	(239,608)	(19,537)	-	(259,144)
Buildings	(3,363)	(320)	-	(3,683)
Equipment and Vehicles	<u>(144,234)</u>	<u>(9,573)</u>	<u>14,289</u>	<u>(139,518)</u>
Subtotal	<u>(475,509)</u>	<u>(37,086)</u>	<u>14,289</u>	<u>(498,306)</u>
Net Capital Assets Being Depreciated	<u>256,918</u>	<u>7,362</u>	<u>(11,691)</u>	<u>252,589</u>
Capital Assets - Net	<u>\$ 398,174</u>	<u>\$ 7,362</u>	<u>\$ (11,691)</u>	<u>\$ 393,845</u>

Depreciation expense for the year ended June 30, 2023, was \$37,086.

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balances</u>
Gladwin Zettel Memorial Airport:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 57,000	\$ -	\$ -	\$ 57,000
<i>Capital assets being depreciated:</i>				
Land Improvements	1,749,721	-	-	1,749,721
Buildings	1,440,861	-	-	1,440,861
Equipment and Vehicles	<u>159,117</u>	<u>13,273</u>	<u>-</u>	<u>172,390</u>
Subtotal	<u>3,349,699</u>	<u>13,273</u>	<u>-</u>	<u>3,362,972</u>
<i>Less accumulated depreciation:</i>				
Land Improvements	(927,113)	(58,324)	-	(985,437)
Buildings	(396,504)	(48,029)	-	(444,533)
Equipment and Vehicles	<u>(143,557)</u>	<u>(8,630)</u>	<u>-</u>	<u>(152,187)</u>
Subtotal	<u>(1,467,174)</u>	<u>(114,983)</u>	<u>-</u>	<u>(1,582,157)</u>
Net Capital Assets Being Depreciated	<u>1,882,525</u>	<u>(101,710)</u>	<u>-</u>	<u>1,780,815</u>
<i>Intangible right-to-use assets:</i>				
Lease Asset	\$ 11,151	-	-	11,151
Less accumulated amortization	<u>(3,407)</u>	<u>(3,717)</u>	<u>-</u>	<u>(7,124)</u>
Net Lease Asset	<u>7,744</u>	<u>(3,717)</u>	<u>-</u>	<u>4,027</u>
Capital Assets - Net	<u>\$ 1,947,269</u>	<u>\$ (105,427)</u>	<u>\$ -</u>	<u>\$ 1,841,842</u>

Depreciation and amortization expense for the year ended June 30, 2023, was \$114,983 and \$3,717, respectively.

NOTE 5 - INTERFUND TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

		TRANSFERS (OUT)						
TRANSFERS IN		General	Major Street	Nonmajor Governmental	Sewer	Water	Internal Service	Total
	General	\$	-	\$ -	\$ 18,010	\$ 30,000	\$ 18,000	\$ 7,000
Major Streets		-	-	-	10,000	-	-	20,000
Local Streets		-	150,000	105,000	10,000	10,000	-	265,000
Nonmajor								
Governmental		-	-	-	96,515	-	-	96,515
Water		10,000	-	-	-	-	-	10,000
Nonmajor Enterprise		3,700	-	-	-	-	-	3,700
Internal Service		30,000	-	-	-	-	-	30,000
Total		<u>\$ 43,700</u>	<u>\$ 150,000</u>	<u>\$ 123,010</u>	<u>\$ 146,515</u>	<u>\$ 28,000</u>	<u>\$ 7,000</u>	<u>\$ 498,225</u>

NOTE 6 - LONG-TERM DEBT

Primary Government

The City issues general obligation and revenue bonds to provide funds for the acquisition and/or construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds:					
\$1,250,000 2004 Sewer Improvement Bonds due in annual installments of \$40,000 to \$95,000 through 2025, interest of 2.5% to 5.1%	\$ 270,000	\$ -	\$ 85,000	\$ 185,000	\$ 90,000
\$142,000 2012 Police Renovation Bonds due in annual installments of \$7,000 to \$12,000 through 2027, interest of 3.75%	57,000	-	57,000	-	-

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities (Continued)					
General Obligation Bonds:					
\$82,632 2012 Police Renovation Bonds due in annual installments of \$4,000 to \$7,000 through 2027, interest of 3.75%	33,000	-	33,000	-	-
Installment Note:					
\$30,000 note payable for the purchase of a backhoe by the equipment fund due in annual installments of \$2,000 through 2029, interest rate of 3.5%	14,000	-	2,000	12,000	2,000
Vested Employee Benefits	<u>88,663</u>	<u>90,507</u>	<u>109,055</u>	<u>70,115</u>	<u>-</u>
Total Governmental Long-term Debt	<u>462,663</u>	<u>90,507</u>	<u>286,055</u>	<u>267,115</u>	<u>92,000</u>
Business-type Activities					
Revenue Bonds:					
\$1,645,000 2010 Water Supply Bond due in annual payments of \$37,000 to \$65,000 through 2030, interest at 2.5%	502,991	-	50,000	452,991	50,000
\$355,946 2019 Water Supply Bond due in annual payments of \$13,000 to \$39,000 through 2059, interest at 2.75%	896,000	-	14,000	882,000	15,000
Vested Employee Benefits	<u>13,641</u>	<u>7,500</u>	<u>12,854</u>	<u>8,287</u>	<u>-</u>
Total Business-type Long-term Debt	<u>1,412,632</u>	<u>7,500</u>	<u>76,854</u>	<u>1,343,278</u>	<u>65,000</u>
Total Long-Term Debt	<u>\$ 1,875,295</u>	<u>\$ 98,007</u>	<u>\$ 362,909</u>	<u>\$ 1,610,393</u>	<u>\$ 157,000</u>

NOTE 6 - LONG-TERM DEBT (Continued)

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

	Governmental Activities		Business-type Activities	
	Bonds/Installment Note Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
Fiscal:				
2024	\$ 92,000	\$ 7,538	\$ 65,000	\$ 34,954
2025	97,000	2,773	70,000	33,230
2026	2,000	280	70,000	31,442
2027	2,000	210	71,000	29,655
2028	2,000	140	71,000	27,840
2029-2033	2,000	70	271,991	112,865
2034-2038	-	-	101,000	93,033
2039-2043	-	-	116,000	78,320
2044-2048	-	-	133,000	61,490
2049-2053	-	-	152,000	42,158
2054-2058	-	-	175,000	20,075
2059	-	-	39,000	1,073
TOTALS	\$ 197,000	\$ 11,011	\$ 1,334,991	\$ 566,135

In the governmental activities, vested benefits payable is liquidated by the General Fund. In the business-type activities the liability for vested benefits payable is liquidated by the Sewer or Water funds.

In the governmental activities, net pension liability is liquidated by the General Fund.

Current and Prior Year Defeasance of Debt

On February 24, 2016, the City defeased its' Ice Arena Revenue Bonds, from the sale of the Ice Arena in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The balance of the defeased Ice Arena Revenue Bonds outstanding as of June 30, 2023, was \$595,000.

On July 26, 2007, the City defeased the 1996 Water and Sewer general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The balance of the defeased debt outstanding as of June 30, 2023, was \$120,000. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$275,000. The refunding resulted in an economic gain of \$271,872.

NOTE 7 - LEASES

The City is a lessor for noncancellable lease of a wireless tower with lease terms through 2045. For the year ending June 30,2023, the City recognized \$18,357 in lease revenue released from Deferred Inflows of Recourses related to the business-type activities on the statement of changes in net position. The City recognized interest revenue of \$10,850 for the year ending June 30, 2023 in the business-types activities, respectively. No inflows of resources were recognized in the year related to termination penalties or residual value guarantees during the fiscal year. The balance of lease receivable was \$429,777 as of June 30, 2023, in the business-type activities.

NOTE 7 - LEASES (Continued)

Component Unit - Gladwin Zettel Memorial Airport

A lease asset in the amount of \$7,744 has been recorded in the Airport Fund capital assets. Due to the implementation of GASB Statement No. 87, this lease for a John Deere Tractor met the criteria of a lease; thus, requiring it to be recorded by the Airport. This asset will be amortized over the lease term of three years since it is shorter than the useful life and the Airport is not taking ownership of the truck. There are no residual value guarantees in the lease provisions. The lease will end in 2024. A summary of the principal and interest amounts for the remaining lease is as follows:

Year	Principal	Interest
2024	\$ 5,870	\$ 199

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The City participates in three pension plans: the Michigan Municipal Employees Retirement System (MERS), a State of Michigan administered agent multi-employer defined benefit public retirement system that acts as a common investment and administrative agent for virtually all Michigan municipal employees; and a defined contribution system through the Steelworkers Pension Program and ICMA Retirement Corporation (ICMA-RC).

Defined Contribution Pension Plans

The City has established various defined contribution pension plans under Section 401(a) of the Internal Revenue Service Code. The plans cover all full-time City employees (except the City Administrator and Police Chief or those covered by the MERS Plan) who have passed their twenty-first birthday and have been employed by the City for more than one year. For the year ended June 30, 2023, the cost to the City was \$33,608 and contributions from covered employees were \$18,178.

The City’s policy is to fund accrued pension costs representing approximately 8% of the annual salaries of covered employees. Covered employees contribute an additional 3% of their salaries. Benefits accrue in each employee’s individual account. These amounts are not available to the general creditors of the City; therefore, these assets are not reported in the City’s financial statements. Plan provisions and contribution requirements are established and may be amended by the Council. These plans and deviations from the above general policy are summarized as follows:

Beginning in 2002 the City established a defined contribution pension plan for the Chief of Police, Police Officers and City Administrator with MERS. The defined contribution is defined by MERS for each fiscal year, for the current fiscal year the City contributes 15.27% of gross wages and the employee, with the exclusion of the City Administrator, contributes 4.95% of gross wages to the plan. The City contributes the 4.95% of gross wages on behalf of the City Administrator. Benefits accrue in each employee’s individual accounts.

Beginning in 2002, the City established a defined contribution pension for existing employees not covered by other plans. The City contributes 8% of gross wages to the ICMA-RC. Employees contribute 3% of gross wages to the plan. Benefits accrue in each employee’s individual account.

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Defined Benefit Pension Plan

Description of Plan and Plan Assets

The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees’ Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.25% to 2.5% (depending on division) times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2022.

General Information about the Pension Plan

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

Contributions. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City’s contribution rate for its fiscal year beginning July 1, 2022 was 28.78% of annual covered payroll for police and administrative employees only. These rates equated to a total minimum monthly contribution of \$9,214. Starting July 1, 2023, the contribution rate will be 28.57% of annual covered payroll for police and administrative employees only. The City’s total contributions to the plan for the year ended June 30, 2023 were \$132,092, of which \$7,180 was paid towards its unfunded liability in addition to its required contribution.

The City may establish contribution rates to be paid by its covered employees. General employees are required to contribute 3.00% of their annual covered payroll; police and administrative employees contribute 4.95%. Employee contributions for the year ended June 30, 2023 were \$25,304.

Benefit Provisions. The chart below summarizes the benefit provisions for each of the City’s two covered groups.

01 – New General Admin: Open Division	
	2022 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Employee Contributions	3.00%
Act 88:	Yes (Adopted 11/4/2002)

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

02 – Police & Admin: Open Division	
	<u>2022 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	3 years
COLA for Future Years	2.50% (Non-Compound)
Employee Contributions	4.95%
Act 88:	Yes (Adopted 11/4/2002)

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits (including refunds)	3
Active employees	<u>9</u>
	16

Net Pension Liability

The employer’s net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.00% net of investment and administrative expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

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

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	2.70%
Global Fixed Income	20.0%	0.40%
Private Investments	20.0%	1.40%

Discount Rate. The discount rate used to measure the total pension liability is 7.25% for 2022. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2021	\$ 2,734,510	\$ 2,312,615	\$ 421,895
Service cost	108,813	-	108,813
Interest on total pension liability	198,302	-	198,302
Difference between expected and actual experience	(8,645)	-	(8,645)
Changes in assumptions	-	-	-
Employer contributions	-	132,092	(132,092)
Employee contributions	-	25,304	(25,304)
Net investment income	-	(240,262)	240,262
Benefit payments, including employee refunds	(107,436)	(107,436)	-
Administrative expense	-	(4,341)	4,341
Other changes	(1)	-	(1)
Net changes	191,033	(194,643)	385,676
Balances as of December 31, 2022	\$ 2,925,543	\$ 2,117,972	\$ 807,571

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.25% as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City’s net pension liability	\$1,216,884	\$807,571	\$471,105

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued MERS financial report.

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

For the year ended June 30, 2023, the City recognized pension expense of \$234,962. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 47,401	\$ 21,196
Changes of assumptions	126,323	-
Net difference between projected and actual earnings on pension plan investments	188,573	-
Contributions subsequent to the measurement date	71,984	-
Total	<u>\$ 434,281</u>	<u>\$ 21,196</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date of \$61,139, which will impact the net pension liability in fiscal year 2023, rather than pension expense:

<u>Year Ended June 30:</u>	
2024	\$ 78,090
2025	98,125
2026	84,700
2027	80,186
Total	<u>\$ 341,101</u>

NOTE 9 - JOINT VENTURE – FIRE PROTECTION DISTRICT

The City is a member of the Gladwin Rural Urban Fire Protection District (the “District”). The District was established January 1, 1973 for the purpose of providing fire protection to its member local governments: the City and the Townships of Buckeye, Gladwin, Grout, Hay, Sage, and Sherman, located in Gladwin County. The City and Townships each appoint two members to the District’s governing Board; this Board determines and approves the annual budget.

Approximately 84% of the District’s operating revenue comes from special assessments generated by the participating governments. The City’s proportionate share of these assessments, accounts for approximately 16.63% of the District’s municipal assessment revenue. The following is a summary of the entity-wide financial information for the District as of December 31, 2022 (latest available audited financial statements).

Total assets	\$ 1,451,935
Total liabilities	490,615
Total deferred inflows of resources	<u>20,835</u>
Total net position	<u>\$ 940,485</u>
Revenues	\$ 425,227
Expenses	<u>385,637</u>
Net decrease in net position	<u>\$ 39,590</u>

The City’s share of total assets and total net position is unknown. Audited financial statements of the District are available upon written request at City Hall.

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in a public entity risk (insurance) pool with other local units of government in the Michigan Municipal Liability and Property Pool. This self-insurance plan provides members with loss protection for property damage and general liability.

The City made contributions of \$62,648 to the self-insurance plan for the year ended June 30, 2023.

When a claim is incurred and/or paid, the member’s loss contribution account is charged or credited according to the member’s actual loss experience; no obligation is credited for another member’s losses. If contributions are in excess of actual expenses and reserves, future contributions are decreased. Should any member have more losses paid on their behalf than contributions covering such losses, credit is extended within the association joint loss fund; such a deficit is repaid by the member in future contributions.

The plan does not maintain separate funds for members and consequently the City’s share of total assets and total equity is unknown. Audited financial statements of the plan are available.

NOTE 11 - CONTINGENCIES

The City receives financial assistance from other governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, any such disallowed claims will not have a material effect on any financial statements herein or on the overall position of the City.

The City is subject to various legal proceedings arising in the course of providing public services to City residents. However, in the opinion of the City’s attorney and management, the resolution of these matters will not have a material effect, if any, on the financial condition of the City.

NOTE 12 - WATER FUND – RESTRICTED CASH

	June 30, 2023	
	Required Balance	Actual Balance
Bond Redemption and Interest Redemption		
2019 Water Supply System Revenue Bond	<u>\$ 16,356</u>	<u>\$ 18,000</u>
Bond Reserves		
2019 Water Supply System Revenue Bond	<u>\$ 17,667</u>	<u>\$ 20,004</u>
Repair, Replacement and Improvements		
2019 Water Supply System Revenue Bond	<u>\$ 97,800</u>	<u>\$ 102,493</u>

NOTE 13 - RESTATEMENT

	Governmental Activities	Business-Type Activities
Beginning net position as previously stated at July 1, 2022	\$ 6,719,847	\$ 5,823,760
Adjustment for lease receivable and related deferred inflows for prior year implementation of GASB 87	-	10,769
Adjustment for capital asset acquisitions and disposals unrecorded in the prior year	<u>176,238</u>	<u>-</u>
Beginning net position as restated at July 1, 2022	<u>\$ 6,896,085</u>	<u>\$ 5,834,529</u>
	Water Fund	
Beginning net position as previously stated at July 1, 2022	\$ 3,263,750	
Adjustment for lease receivable and related deferred inflows for prior year implementation of GASB 87	<u>10,769</u>	
Beginning net position as restated at July 1, 2022	<u>\$ 3,274,519</u>	

NOTE 14 - IMPLEMENTATION OF GASB STATEMENT NO. 96, SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

In May of 2020, the GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, or an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended.

The City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the period ending June 30, 2023. There were no subscription-based information technology arrangements held by the City that meet the definition of recognition under GASB Statement No. 96, therefore, the financial statements have not been affected by such implementation.

Required Supplementary Information

Required Supplementary Information
Defined Benefit Pension Plan (MERS)
Schedule of Changes in the Employer's Net Position Liability and Related Ratios
For the Year Ended December 31

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability								
Service cost	\$ 108,813	\$ 91,081	\$ 63,631	\$ 64,870	\$ 60,396	\$ 71,528	\$ 68,119	\$ 64,217
Interest	198,302	182,725	177,100	147,347	144,182	129,117	114,370	98,466
Difference between expected and actual experience	(8,645)	37,139	(35,703)	75,350	(20,454)	15,377	19,506	(2,605)
Change in assumptions	-	117,521	70,751	82,525	-	-	-	60,796
Benefit payments, including refund of member contributions	(107,436)	(105,371)	(103,306)	(74,795)	(24,928)	(19,359)	(19,359)	(34,831)
Other	(1)	(1)	(7,852)	7,756	-	-	-	3,077
Net change in total pension liability	191,033	323,094	164,621	303,053	159,196	196,663	182,636	189,120
Total pension liability - beginning	2,734,510	2,411,416	2,246,795	1,943,742	1,784,546	1,587,883	1,405,247	1,216,127
Total pension liability - ending	<u>\$ 2,925,543</u>	<u>\$ 2,734,510</u>	<u>\$ 2,411,416</u>	<u>\$ 2,246,795</u>	<u>\$ 1,943,742</u>	<u>\$ 1,784,546</u>	<u>\$ 1,587,883</u>	<u>\$ 1,405,247</u>
Plan fiduciary net position								
Contributions - employer	\$ 132,092	\$ 106,193	\$ 75,800	\$ 65,707	\$ 59,060	\$ 62,006	\$ 56,290	\$ 56,488
Contributions - employee	25,304	22,909	18,981	18,869	18,499	20,245	19,305	18,552
Net investment income	(240,262)	285,390	230,505	215,535	(65,319)	183,121	135,462	(17,468)
Benefit payments, including refunds of member contributions	(107,436)	(105,371)	(103,306)	(74,795)	(24,928)	(19,359)	(19,359)	(34,831)
Administrative expense	(4,341)	(3,275)	(3,613)	(3,719)	(3,150)	(2,886)	(2,668)	(2,539)
Net change in plan fiduciary net position	(194,643)	305,846	218,367	221,597	(15,838)	243,127	189,030	20,202
Plan fiduciary net position - beginning	2,312,615	2,006,769	1,788,402	1,566,805	1,582,643	1,339,516	1,150,486	1,130,284
Plan fiduciary net position - ending	<u>\$ 2,117,972</u>	<u>\$ 2,312,615</u>	<u>\$ 2,006,769</u>	<u>\$ 1,788,402</u>	<u>\$ 1,566,805</u>	<u>\$ 1,582,643</u>	<u>\$ 1,339,516</u>	<u>\$ 1,150,486</u>
City's net pension liability - ending	<u>\$ 807,571</u>	<u>\$ 421,895</u>	<u>\$ 404,647</u>	<u>\$ 458,393</u>	<u>\$ 376,937</u>	<u>\$ 201,903</u>	<u>\$ 248,367</u>	<u>\$ 254,761</u>
Plan fiduciary net position as a percentage of the total pension liability	72%	85%	83%	80%	81%	89%	84%	82%
Covered payroll	\$ 546,548	\$ 507,897	\$ 389,438	\$ 396,879	\$ 388,985	\$ 463,041	\$ 441,403	\$ 424,911
City's net pension liability as a percentage of covered payroll	148%	83%	104%	115%	97%	44%	56%	60%

**Required Supplementary Information
Defined Benefit Pension Plan (MERS)
Schedule of Employer's Contributions
For the Year Ended June 30**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 124,912	\$ 100,881	\$ 73,612	\$ 61,528	\$ 59,060	\$ 62,006	\$ 56,290	\$ 48,300	\$ 47,256	\$ 48,130
Contributions in relation to the actuarially determined contribution	132,092	106,193	75,800	65,707	59,060	62,006	56,290	48,300	47,256	48,130
Contribution deficiency (excess)	\$ (7,180)	\$ (5,312)	\$ (2,188)	\$ (4,179)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 546,548	\$ 507,897	\$ 389,438	\$ 396,879	\$ 388,985	\$ 463,041	\$ 441,403	\$ 424,911	\$ 412,300	\$ 412,300
Contributions as a percentage of covered payroll	24%	20%	16%	17%	15%	13%	13%	11%	11%	12%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of December 31st, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	16 years
Asset valuation method	5-years smoothed market
Inflation	2.50%
Salary increases	3.00% plus merit and longevity
Investment rate of return	7.00%
Retirement age	In the 2019 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience.
Mortality	Pub-2010 and fully generational MP-2019

Supplementary Information

Special Revenue Funds

City Streets Fund

This fund is funded by property taxes to be used for maintenance for City Streets.

Liquor Law Enforcement Fund

This fund is funded by state revenues and is used for enforcement of liquor laws.

Drug Law Enforcement Fund

This fund is funded by forfeitures and is used for enforcement of drug laws.

Public Safety Fund

This fund is funded by property taxes to be used for wages, training, equipment, and other expenses of the police department.

Mosquito Control Fund

This fund is funded by special assessment revenue to be used for mosquito control.

School Resource Office Fund

This fund is funded by reimbursements from the City schools for the services provided by the City's school resource officer.

Capital Project Fund

The Iron Removal Plant Fund was established to account for financial resources restricted for the capital outlay expenditures associated with the iron removal plant project.

Debt Service Funds

The County DPW Lease and 2004 Sewer Improvement Debt Funds were established to accumulate resources for the payment of the general obligation debt issued to fund water and sewer improvements.

Permanent Fund

The Cemetery Trust Fund is used to account for investment principal and related interest income amounts reserved for maintenance of the community cemetery.

Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue Funds					Debt Service Funds			Capital Projects	Permanent Fund	Totals
	Municipal Streets	Liquor Law Enforcement	Drug Law Enforcement	Public Safety	Mosquito Control	School Resources Officer	County DPW Lease	2004 Sewer Improvement	Iron Removal Plant	Cemetery Perpetual Care	
ASSETS:											
Cash and Equivalents - Unrestricted	\$ 220,241	\$ -	\$ 131,349	\$ 169,752	\$ 2,456	\$ 945	\$ 98,145	\$ -	\$ 65,547	\$ 225,690	\$ 914,125
Due from Other Governmental Units	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 220,241</u>	<u>\$ -</u>	<u>\$ 131,349</u>	<u>\$ 169,752</u>	<u>\$ 2,456</u>	<u>\$ 945</u>	<u>\$ 98,145</u>	<u>\$ -</u>	<u>\$ 65,547</u>	<u>\$ 225,690</u>	<u>\$ 914,125</u>
LIABILITIES:											
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	-	-	-	2,838	-	-	-	-	-	-	2,838
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,838</u>
FUND BALANCES:											
Nonspendable	-	-	-	-	-	-	-	-	-	143,899	143,899
Restricted	220,241	-	131,349	166,914	2,456	945	98,145	-	65,547	81,791	767,388
TOTAL FUND BALANCES	<u>220,241</u>	<u>-</u>	<u>131,349</u>	<u>166,914</u>	<u>2,456</u>	<u>945</u>	<u>98,145</u>	<u>-</u>	<u>65,547</u>	<u>225,690</u>	<u>911,287</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 220,241</u>	<u>\$ -</u>	<u>\$ 131,349</u>	<u>\$ 169,752</u>	<u>\$ 2,456</u>	<u>\$ 945</u>	<u>\$ 98,145</u>	<u>\$ -</u>	<u>\$ 65,547</u>	<u>\$ 225,690</u>	<u>\$ 914,125</u>

Supplementary Information
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue Funds					Debt Service Funds		Capital Projects	Permanent Fund	Totals	
	Municipal Streets	Liquor Law Enforcement	Drug Law Enforcement	Public Safety	Mosquito Control	School Resources Officer	County DPW Lease	2004 Sewer Improvement	Iron Removal Plant		Cemetery Perpetual Care
REVENUES:											
Taxes	\$ 122,765	\$ -	\$ -	\$ 140,608	\$ -	\$ -	\$ 46	\$ -	\$ -	\$ -	\$ 263,419
Special Assessments	500	-	-	-	29,510	-	-	-	-	-	30,010
State Sources	-	-	-	3,091	-	-	-	-	-	-	3,091
Interest and Rents	677	-	534	589	6	-	374	-	251	460	2,891
Other Revenues	-	-	-	-	-	66,195	-	-	-	1,750	67,945
TOTAL REVENUES	123,942	-	534	144,288	29,516	66,195	420	-	251	2,210	367,356
EXPENDITURES:											
Public Safety	-	-	-	113,027	-	65,250	-	-	-	-	178,277
Public Works	-	-	-	-	27,060	-	-	-	-	-	27,060
Debt Service	-	-	-	-	-	-	-	96,515	-	-	96,515
TOTAL EXPENDITURES	-	-	-	113,027	27,060	65,250	-	96,515	-	-	301,852
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	123,942	-	534	31,261	2,456	945	420	(96,515)	251	2,210	65,504
OTHER FINANCING SOURCES (USES):											
Transfers In	-	-	-	-	-	-	-	96,515	-	-	96,515
Transfers Out	(115,500)	(7,510)	-	-	-	-	-	-	-	-	(123,010)
TOTAL OTHER FINANCING SOURCES (USES)	(115,500)	(7,510)	-	-	-	-	-	96,515	-	-	(26,495)
NET CHANGE IN FUND BALANCES	8,442	(7,510)	534	31,261	2,456	945	420	-	251	2,210	39,009
FUND BALANCE, BEGINNING OF YEAR	211,799	7,510	130,815	135,653	-	-	97,725	-	65,296	223,480	872,278
FUND BALANCE, END OF YEAR	\$ 220,241	\$ -	\$ 131,349	\$ 166,914	\$ 2,456	\$ 945	\$ 98,145	\$ -	\$ 65,547	\$ 225,690	\$ 911,287

**Supplementary Information
Budgetary Comparison Schedule
Municipal Streets Fund
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	(Negative)
REVENUES:				
Property Taxes	\$ 118,900	\$ 122,773	\$ 122,765	\$ (8)
Special Assessment	500	500	500	-
Interest	50	650	677	27
	119,450	123,923	123,942	19
TOTAL REVENUES	119,450	123,923	123,942	19
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	119,450	123,923	123,942	19
OTHER FINANCING USES:				
Transfers Out	(115,500)	(115,500)	(115,500)	-
NET CHANGE IN FUND BALANCES	\$ 3,950	\$ 8,423	8,442	\$ 19
FUND BALANCE BEGINNING OF YEAR			211,799	
FUND BALANCE END OF YEAR			\$ 220,241	

**Supplementary Information
Budgetary Comparison Schedule
Liquor Law Enforcement Fund
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING USES:				
Transfers Out	\$ -	\$ -	\$ (7,510)	\$ (7,510)
NET CHANGE IN FUND BALANCES	\$ -	\$ -	\$ (7,510)	\$ (7,510)
FUND BALANCE, BEGINNING OF YEAR			7,510	
FUND BALANCE, END OF YEAR			\$ -	

**Supplementary Information
Budgetary Comparison Schedule
Drug Law Enforcement Fund
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES:				
Charges for Services	\$ 1,000	\$ -	\$ -	\$ -
Interest	30	530	534	4
TOTAL REVENUES	1,030	530	534	4
NET CHANGE IN FUND BALANCES	\$ 1,030	\$ 530	534	\$ 4
FUND BALANCE, BEGINNING OF YEAR			130,815	
FUND BALANCE, END OF YEAR			\$ 131,349	

**Supplementary Information
Budgetary Comparison Schedule
Public Safety Fund
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 140,520	\$ 1,391,610	\$ 140,608	\$ (1,251,002)
State Sources	2,000	3,100	3,091	(9)
Interest	30	301	589	288
TOTAL REVENUES	<u>142,550</u>	<u>1,395,011</u>	<u>144,288</u>	<u>(1,250,723)</u>
EXPENDITURES:				
Public Safety	<u>129,600</u>	<u>114,100</u>	<u>113,027</u>	<u>1,073</u>
NET CHANGE IN FUND BALANCES	<u><u>\$ 12,950</u></u>	<u><u>\$ 1,280,911</u></u>	31,261	<u><u>\$ (1,249,650)</u></u>
FUND BALANCE, BEGINNING OF YEAR			<u>135,653</u>	
FUND BALANCE, END OF YEAR			<u><u>\$ 166,914</u></u>	

**Supplementary Information
Budgetary Comparison Schedule
Mosquito Control Fund
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Special Assessments	\$ 29,380	\$ 29,510	\$ 29,510	\$ -
Interest	-	5	6	1
TOTAL REVENUES	<u>29,380</u>	<u>29,515</u>	<u>29,516</u>	<u>1</u>
EXPENDITURES:				
Public Works	<u>28,870</u>	<u>27,060</u>	<u>27,060</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ 510</u>	<u>\$ 2,455</u>	2,456	<u>\$ 1</u>
FUND BALANCE, BEGINNING OF YEAR			<u>-</u>	
FUND BALANCE, END OF YEAR			<u>\$ 2,456</u>	

**Supplementary Information
Budgetary Comparison Schedule
School Resources Officer Fund
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Other Revenue	\$ 68,141	\$ 66,200	\$ 66,195	\$ (5)
TOTAL REVENUES	68,141	66,200	66,195	(5)
EXPENDITURES:				
Public Safety	67,600	65,250	65,250	-
NET CHANGE IN FUND BALANCES	\$ 541	\$ 950	945	\$ (5)
FUND BALANCE, BEGINNING OF YEAR			-	
FUND BALANCE, END OF YEAR			\$ 945	

**Supplementary Information
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2023**

	Tax Collection Fund	Match on Main Fund	Total
ASSETS:			
Due from Other Governmental Units	\$ -	\$ 25,000	\$ 25,000
TOTAL ASSETS	\$ -	\$ 25,000	\$ 25,000
LIABILITIES:			
Due to or on Behalf of Others	\$ -	\$ 25,000	\$ 25,000
TOTAL LIABILITIES	-	25,000	25,000
NET POSITION:			
Unrestricted	-	-	-
TOTAL NET POSITION	\$ -	\$ -	\$ -

Supplementary Information
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2023

	Tax Collection Fund	Match on Main	Total
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS:			
Taxes Collected for Other Governments	\$ 2,192,130	\$ -	\$ 2,192,130
Payments in Lieu of Taxes Collected for Other Governments	51,171	-	51,171
Grants	-	25,000	25,000
	<u> </u>	<u> </u>	<u> </u>
TOTAL ADDITIONS	2,243,301	25,000	2,268,301
	<u> </u>	<u> </u>	<u> </u>
DEDUCTIONS:			
Payments of Taxes to Other Governments	2,185,268	-	2,185,268
Payments in Lieu of Taxes Paid to Other Governments	51,171	-	51,171
Overpayment of Taxes to Taxpayers	6,862	-	6,862
Pass-through of Grants to Others	-	25,000	25,000
	<u> </u>	<u> </u>	<u> </u>
TOTAL DEDUCTIONS	2,243,301	25,000	2,268,301
	<u> </u>	<u> </u>	<u> </u>
Change in Net Position	-	-	-
Net Position, Beginning of Year	<u> </u>	<u> </u>	<u> </u>
Net Position, End of Year	<u> </u>	<u> </u>	<u> </u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Supplementary Information
Downtown Development Authority - Component Unit
Statement of Balance Sheet and Net Position
June 30, 2023

	Downtown Development Authority	Adjustments	Statement of Net Position
ASSETS:			
Cash and Equivalents	\$ 47,002	\$ -	\$ 47,002
Capital Assets (Not Depreciated)	-	141,256	141,256
Capital Assets (Net of Accumulated Depreciation)	-	252,589	252,589
 TOTAL ASSETS	 47,002	 393,845	 440,847
 LIABILITIES AND FUND BALANCE:			
Liabilities			
Accounts Payable	194	-	194
Accrued Liabilities	936	-	936
 TOTAL LIABILITIES	 1,130	 -	 1,130
 Fund Balance			
Restricted for DDA	45,872	-	-
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 47,002		
 NET POSITION:			
Net Investment in Capital Assets		393,845	393,845
Restricted for DDA		-	45,872
 TOTAL NET POSITION		 \$ 393,845	 \$ 439,717

Supplementary Information
Downtown Development Authority - Component Unit
Statement of Activities and Revenues, Expenditures,
and Changes in Fund Balances and Net Position
For the Year Ended June 30, 2023

	Downtown Development Authority	Adjustments	Statement of Activities
REVENUES:			
Property Taxes	\$ 235,024	\$ -	\$ 235,024
Federal Sources	20,908	-	20,908
State Sources	45,227	-	45,227
Charges for Service	4,158	-	4,158
Interest and Rents	522	-	522
Other Revenue	-	(11,691)	(11,691)
TOTAL REVENUES	305,839	(11,691)	294,148
EXPENDITURES:			
Personnel Services	20,275	-	20,275
Supplies	2,894	-	2,894
Contractual Services	25,658	-	25,658
Repairs and Maintenance	53,834	(44,448)	9,386
Equipment Rental	5,295	-	5,295
Reimbursements	490,261	-	490,261
Other	16,131	-	16,131
Depreciation	-	37,086	37,086
TOTAL EXPENDITURES	614,348	(7,362)	606,986
NET CHANGE IN FUND BALANCE	(308,509)	(4,329)	(312,838)
FUND BALANCES/NET POSITION, BEGINNING OF YEAR	354,381	398,174	752,555
FUND BALANCES/NET POSITION, END OF YEAR	\$ 45,872	\$ 393,845	\$ 439,717

Supplementary Information
Economic Development Corporation - Component Unit
Statement of Net Position and Balance Sheet
June 30, 2023

	<u>Economic Development Corporation</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS:			
Cash and Equivalents	\$ 25,096	\$ -	\$ 25,096
TOTAL ASSETS	25,096	-	25,096
FUND BALANCE:			
Restricted for Economic Development	25,091	(25,091)	-
TOTAL FUND BALANCE	\$ 25,091		
NET POSITION:			
Restricted for Economic Development		25,091	25,096
TOTAL NET POSITION		\$ -	\$ 25,096

**Supplementary Information
Economic Development Corporation - Component Unit
Statement of Activities and Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2023**

	Economic Development Corporation	Adjustments	Statement of Activities
REVENUES:			
Interest and Rents	\$ 8	\$ -	\$ 8
TOTAL REVENUES	<u>8</u>	<u>-</u>	<u>8</u>
NET CHANGE IN FUND BALANCE	<u>8</u>	<u>-</u>	<u>8</u>
FUND BALANCES/NET POSITION, BEGINNING OF YEAR	<u>25,088</u>	<u>-</u>	<u>25,088</u>
FUND BALANCES/NET POSITION, END OF YEAR	<u><u>\$ 25,096</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 25,096</u></u>

Supplementary Information
Gladwin Zettel Memorial Airport - Component Unit
Statement of Net Position
June 30, 2023

ASSETS:

Cash and Equivalents	\$ 157,547
Accounts Receivable	863
Inventory	29,825
Lease Asset	4,027
Capital Assets (Not Depreciated)	57,000
Capital Assets (Net of Accumulated Depreciation)	<u>1,780,815</u>
TOTAL ASSETS	<u>2,030,077</u>

LIABILITIES:

Accounts Payable	825
Customer Deposits	5,920
Lease Payable	<u>5,671</u>
TOTAL LIABILITIES	<u>12,416</u>

NET POSITION:

Net Investment in Capital Assets	1,836,171
Unrestricted	<u>181,490</u>
TOTAL NET POSITION	<u><u>\$ 2,017,661</u></u>

**Supplementary Information
Gladwin Zettel Memorial Airport - Component Unit
Statement of Activities
For the Year Ended June 30, 2023**

OPERATING REVENUES:	
Charges for Services	\$ 54,826
Intergovernmental Revenue:	
County Contributions	18,750
Reimbursements from City of Gladwin	14,730
Other Revenue	<u>448</u>
Total Operating Revenues	<u>88,754</u>
OPERATING EXPENSES:	
Supplies	2,813
Fuel	42,922
Contracted Services	64,761
Insurance	7,503
Utilities	8,358
Repairs and Maintenance	7,303
Lease Amortization	3,717
Miscellaneous	6,837
Depreciation	<u>114,982</u>
Total Operating Expenses	<u>259,196</u>
OPERATING LOSS	<u>(170,442)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest Expense	(390)
Interest and Rents	<u>34,678</u>
Total Non-Operating Revenues (Expenses)	<u>34,288</u>
CHANGES IN NET POSITION	(136,154)
NET POSITION, BEGINNING OF YEAR	<u>2,153,815</u>
NET POSITION, END OF YEAR	<u><u>\$ 2,017,661</u></u>

Statistical Section

This part of the City of Gladwin’s annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Statistical tables differ from the financial statements because they usually cover more than one year and may present nonaccounting data. These tables reflect social and economic data, financial trends, and the fiscal capability of the City of Gladwin.

Contents	Page
Financial Trends	71-75
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity	76-79
These schedules contain information to help the reader assess the factors affecting the City’s ability to generate its property and sales taxes.	
Debt Capacity	80-85
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Demographic and Economic	86-90
These schedules offer demographic/economic indicators to help the reader understand the environment within which the City’s financial activities take place and to help make comparisons over time and with other governments.	

**Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Governmental activities										
Net investment in capital assets	\$ 4,847,853	\$ 4,494,824	\$ 4,200,616	\$ 3,905,632	\$ 4,911,940	\$ 4,591,160	\$ 3,612,428	\$ 3,735,800	\$ 2,974,364	\$ 3,416,289
Restricted	908,424	804,228	895,527	951,465	986,397	1,313,100	1,572,924	1,833,261	2,346,504	3,096,369
Unrestricted	964,928	849,958	931,479	1,077,072	327,296	350,626	1,276,408	1,365,006	1,398,979	1,233,348
Total governmental activities net position	<u>\$ 6,721,205</u>	<u>\$ 6,149,010</u>	<u>\$ 6,027,622</u>	<u>\$ 5,934,169</u>	<u>\$ 6,225,633</u>	<u>\$ 6,254,886</u>	<u>\$ 6,461,760</u>	<u>\$ 6,934,067</u>	<u>\$ 6,719,847</u>	<u>\$ 7,746,006</u>
Business-type activities										
Net investment in capital assets	\$ 3,622,634	\$ 3,598,469	\$ 3,629,857	\$ 3,321,217	\$ 3,056,354	\$ 3,346,701	\$ 4,225,543	\$ 4,319,164	\$ 4,145,784	\$ 3,945,269
Restricted	-	-	-	-	-	-	8,000	8,000	8,000	140,497
Unrestricted	1,679,455	1,510,984	858,903	1,057,430	1,007,081	1,031,114	1,284,939	1,586,321	1,669,976	1,922,925
Total business-type activities net position	<u>\$ 5,302,089</u>	<u>\$ 5,109,453</u>	<u>\$ 4,488,760</u>	<u>\$ 4,378,647</u>	<u>\$ 4,063,435</u>	<u>\$ 4,377,815</u>	<u>\$ 5,518,482</u>	<u>\$ 5,913,485</u>	<u>\$ 5,823,760</u>	<u>\$ 6,008,691</u>
Total governmental and business-type activities										
Net investment in capital assets	\$ 8,470,487	\$ 8,093,293	\$ 7,830,473	\$ 7,226,849	\$ 7,968,294	\$ 7,937,861	\$ 7,837,971	\$ 8,054,964	\$ 7,120,148	\$ 7,361,558
Restricted	908,424	804,228	895,527	951,465	986,397	1,313,100	1,580,924	1,841,261	2,354,504	3,236,866
Unrestricted	2,644,383	2,360,942	1,790,382	2,134,502	1,334,377	1,381,740	2,561,347	2,951,327	3,068,955	3,156,273
Total net position	<u>\$ 12,023,294</u>	<u>\$ 11,258,463</u>	<u>\$ 10,516,382</u>	<u>\$ 10,312,816</u>	<u>\$ 10,289,068</u>	<u>\$ 10,632,701</u>	<u>\$ 11,980,242</u>	<u>\$ 12,847,552</u>	<u>\$ 12,543,607</u>	<u>\$ 13,754,697</u>

**Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Expenses										
Governmental activities:										
Legislative	\$ -	\$ -	\$ -	\$ 61,665	\$ 58,678	\$ 79,491	\$ 62,058	\$ 52,634	\$ -	\$ -
General Government	727,355	771,476	734,990	626,632	532,058	635,799	640,094	545,573	667,227	612,614
Public Safety	588,948	570,945	577,440	649,604	583,447	698,873	621,991	681,293	779,933	826,879
Public Works	862,141	1,125,553	1,179,021	914,936	864,529	1,625,757	2,418,947	1,022,816	1,016,239	932,745
Health and Welfare	85,300	-	-	-	-	-	-	-	-	-
Community and Economic Development	-	-	-	-	-	-	-	-	-	50,670
Recreation and Culture	196,980	300,512	195,488	202,789	282,873	204,028	177,365	239,689	258,054	227,542
Interest on long-term debt	12,984	15,992	3,705	50,716	47,250	40,991	32,469	23,959	18,735	11,462
Other Expenses	-	-	-	-	-	18,427	-	-	-	-
Total governmental activities expenses	<u>2,473,708</u>	<u>2,784,478</u>	<u>2,690,644</u>	<u>2,506,342</u>	<u>2,368,835</u>	<u>3,303,366</u>	<u>3,952,924</u>	<u>2,565,964</u>	<u>2,740,188</u>	<u>2,661,912</u>
Business-type activities:										
Ice Arena	34,704	33,100	351,182	-	-	-	-	-	-	-
Farmers' Market	8,898	9,272	8,710	10,217	8,700	24,900	11,275	10,558	13,604	12,639
Sewer	452,687	529,378	553,749	529,119	547,527	488,652	532,361	520,631	604,383	553,575
Water	530,461	560,326	545,939	587,576	593,761	437,842	355,760	398,245	509,644	547,450
Total business-type activities expenses	<u>1,026,750</u>	<u>1,132,076</u>	<u>1,459,580</u>	<u>1,126,912</u>	<u>1,149,988</u>	<u>951,394</u>	<u>899,396</u>	<u>929,434</u>	<u>1,127,631</u>	<u>1,113,664</u>
Total primary government expenses	<u>\$ 3,500,458</u>	<u>\$ 3,916,554</u>	<u>\$ 4,150,224</u>	<u>\$ 3,633,254</u>	<u>\$ 3,518,823</u>	<u>\$ 4,254,760</u>	<u>\$ 4,852,320</u>	<u>\$ 3,495,398</u>	<u>\$ 3,867,819</u>	<u>\$ 3,775,576</u>
Program revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 119,286	\$ 137,548	\$ 230,851	\$ 142,545	\$ 336,491	\$ 250,116	\$ 214,820	\$ 136,429	\$ 67,589	\$ 50,841
Public Safety	69,056	7,204	313	13,519	20,737	38,764	40,109	12,105	11,971	10,414
Public Works	195,100	203,472	192,650	207,490	180,404	205,380	204,985	261,943	261,632	322,065
Community and Economic Development	-	-	-	-	-	-	-	-	-	2,385
Recreation and Culture	185,101	89,029	95,673	63,760	130,905	118,068	100,035	128,733	97,968	136,777
Operating grants and contributions	401,611	293,271	422,619	389,844	495,279	846,915	1,536,219	775,690	641,259	1,030,982
Capital grants and contributions	8,000	21,321	-	-	-	355,946	580,054	60,253	24,122	35,935
Total governmental activities program revenues	<u>978,154</u>	<u>751,845</u>	<u>942,106</u>	<u>817,158</u>	<u>1,163,816</u>	<u>1,815,189</u>	<u>2,676,222</u>	<u>1,375,153</u>	<u>1,104,541</u>	<u>1,589,399</u>
Business-type activities:										
Charges for services:										
Ice Arena	3,383	3,383	-	-	-	-	-	-	-	-
Farmers' Market	957	1,012	1,991	3,021	5,188	4,507	2,328	1,865	2,590	2,185
Sewer	684,688	707,246	582,683	645,928	598,635	628,179	686,651	699,659	685,002	761,388
Water	336,597	336,519	409,602	388,061	320,660	340,911	467,309	548,728	572,105	642,811
Operating grants and contributions	-	-	-	1,765	2,607	382,335	-	-	-	2,518
Capital grants and contributions	2,994	5,475	4,265	-	-	-	961,255	64,343	-	-
Total business-type activities program revenues	<u>1,028,619</u>	<u>1,053,635</u>	<u>998,541</u>	<u>1,038,775</u>	<u>927,090</u>	<u>1,355,932</u>	<u>2,117,543</u>	<u>1,314,595</u>	<u>1,259,697</u>	<u>1,408,902</u>
Total primary government program revenues	<u>\$ 2,006,773</u>	<u>\$ 1,805,480</u>	<u>\$ 1,940,647</u>	<u>\$ 1,855,933</u>	<u>\$ 2,090,906</u>	<u>\$ 3,171,121</u>	<u>\$ 4,793,765</u>	<u>\$ 2,689,748</u>	<u>\$ 2,364,238</u>	<u>\$ 2,998,301</u>
Net (expense)/revenue										
Governmental activities	(1,495,554)	(2,032,633)	(1,748,538)	(1,689,184)	(1,205,019)	(1,488,177)	(1,276,702)	(1,190,811)	(1,635,647)	(1,072,513)
Business-type activities	1,869	(78,441)	(461,039)	(88,137)	(222,898)	404,538	1,218,147	385,161	132,066	295,238
Total primary government net expense	<u>\$ (1,493,685)</u>	<u>\$ (2,111,074)</u>	<u>\$ (2,209,577)</u>	<u>\$ (1,777,321)</u>	<u>\$ (1,427,917)</u>	<u>\$ (1,083,639)</u>	<u>\$ (58,555)</u>	<u>\$ (805,650)</u>	<u>\$ (1,503,581)</u>	<u>\$ (777,275)</u>

**Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General revenues and other changes in net position										
Governmental activities:										
Property taxes	\$ 1,047,186	\$ 1,034,612	\$ 1,144,657	\$ 1,048,676	\$ 1,056,871	\$ 1,066,602	\$ 1,079,810	\$ 1,257,971	\$ 1,160,475	\$ 1,208,477
Grants and contributions not restricted to specific programs	289,937	343,047	293,685	304,970	314,822	324,733	308,077	367,265	411,834	412,320
Unrestricted investment earnings	2,799	2,748	3,379	5,863	18,313	24,047	28,392	2,231	1,754	37,589
Other revenue	6,388	18,865	24,934	47,493	5,750	5,455	5,240	1,901	121,154	97,733
Gain (loss) on disposal of capital assets	-	-	-	-	-	-	-	-	(538,710)	5,500
Transfers - internal activities	161,330	143,163	160,495	145,125	100,727	96,593	132,394	100,797	264,920	160,815
Total governmental activities	<u>1,507,640</u>	<u>1,542,435</u>	<u>1,627,150</u>	<u>1,552,127</u>	<u>1,496,483</u>	<u>1,517,430</u>	<u>1,553,913</u>	<u>1,730,165</u>	<u>1,421,427</u>	<u>1,922,434</u>
Business-type activities:										
Grants and contributions not restricted to specific programs	-	-	-	-	-	-	27,074	99,009	46,669	-
Unrestricted investment earnings	30,347	28,968	840	776	8,413	6,435	16,355	1,502	254	37,393
Other revenue	-	-	-	-	-	-	-	10,128	628	2,346
Gain (loss) on disposal of capital assets	-	-	-	-	-	-	-	-	(4,422)	-
Transfers - internal activities	(161,330)	(143,163)	(160,495)	(145,125)	(100,727)	(96,593)	(132,394)	(100,797)	(264,920)	(160,815)
Total business-type activities	<u>(130,983)</u>	<u>(114,195)</u>	<u>(159,655)</u>	<u>(144,349)</u>	<u>(92,314)</u>	<u>(90,158)</u>	<u>(88,965)</u>	<u>9,842</u>	<u>(221,791)</u>	<u>(121,076)</u>
Total primary government	<u>\$ 1,376,657</u>	<u>\$ 1,428,240</u>	<u>\$ 1,467,495</u>	<u>\$ 1,407,778</u>	<u>\$ 1,404,169</u>	<u>\$ 1,427,272</u>	<u>\$ 1,464,948</u>	<u>\$ 1,740,007</u>	<u>\$ 1,199,636</u>	<u>\$ 1,801,358</u>
Change in net position										
Governmental activities	\$ 12,086	\$ (490,198)	\$ (121,388)	\$ (137,057)	\$ 291,464	\$ 29,253	\$ 277,211	\$ 539,354	\$ (214,220)	\$ 849,921
Business-type activities	(129,114)	(192,636)	(620,694)	(232,486)	(315,212)	314,380	1,129,182	395,003	(89,725)	174,162
Total primary government	<u>\$ (117,028)</u>	<u>\$ (682,834)</u>	<u>\$ (742,082)</u>	<u>\$ (369,543)</u>	<u>\$ (23,748)</u>	<u>\$ 343,633</u>	<u>\$ 1,406,393</u>	<u>\$ 934,357</u>	<u>\$ (303,945)</u>	<u>\$ 1,024,083</u>

**Fund Balances of Governmental Funds
Last Ten Fiscal Years
(accrual basis of accounting)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Fund:										
Nonspendable	\$ 626	\$ 626	\$ 626	\$ 721	\$ 3,446	\$ 4,993	\$ 2,452	\$ 2,615	\$ 3,254	\$ 2,794
Restricted	2,331	2,331	2,331	2,331	2,331	2,331	2,331	2,331	-	-
Committed	141,635	141,635	141,635	123,916	123,916	123,916	41,635	41,635	51,635	61,635
Assigned	-	-	-	-	-	-	100,000	-	2,331	2,331
Unassigned	923,697	843,683	985,785	951,745	1,154,208	1,193,496	1,203,945	1,411,032	1,423,390	1,551,421
Total General Fund	<u>\$ 1,068,289</u>	<u>\$ 988,275</u>	<u>\$ 1,130,377</u>	<u>\$ 1,078,713</u>	<u>\$ 1,283,901</u>	<u>\$ 1,324,736</u>	<u>\$ 1,350,363</u>	<u>\$ 1,457,613</u>	<u>\$ 1,480,610</u>	<u>\$ 1,618,181</u>
All other governmental funds:										
Nonspendable:										
Cemetery perpetual care	\$ 180,118	\$ 183,178	\$ 188,257	\$ 193,061	\$ 198,589	\$ 204,594	\$ 208,786	\$ 214,158	\$ 223,480	\$ 143,899
Restricted, reported in:										
Special revenue funds	696,943	588,162	673,676	893,764	906,215	973,014	1,411,892	1,669,846	2,183,483	2,706,987
Debt service funds	29,032	30,557	31,263	55,370	80,182	84,374	89,350	95,804	97,725	98,145
Capital project funds	-	-	-	-	-	77,119	69,351	65,280	65,296	65,547
Cemetery perpetual care	-	-	-	-	-	-	-	-	-	81,791
Total all other governmental funds	<u>\$ 906,093</u>	<u>\$ 801,897</u>	<u>\$ 893,196</u>	<u>\$ 1,142,195</u>	<u>\$ 1,184,986</u>	<u>\$ 1,339,101</u>	<u>\$ 1,779,379</u>	<u>\$ 2,045,088</u>	<u>\$ 2,569,984</u>	<u>\$ 3,096,369</u>

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(accrual basis of accounting)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenues:										
Taxes	\$ 1,047,186	\$ 1,034,612	\$ 1,144,657	\$ 1,048,676	\$ 1,056,871	\$ 1,066,602	\$ 1,079,810	\$ 1,257,971	\$ 1,160,475	\$ 1,208,477
Special Assessments	-	-	-	-	-	-	-	29,400	32,576	33,243
Licenses and Permits	33,773	45,965	47,601	49,652	61,177	49,236	58,599	48,904	47,847	48,159
Intergovernmental Revenue	680,044	630,092	800,043	694,714	809,896	1,171,406	2,410,976	1,169,140	1,077,215	1,448,337
Charges for Services	353,080	311,431	314,067	346,984	547,895	512,705	352,814	352,758	358,737	441,080
Fines and Forfeitures	15,836	6,984	135	-	-	-	-	-	-	-
Interest and Rentals	2,786	2,736	3,359	14,463	24,063	29,502	32,132	4,336	4,169	40,604
Other Revenue	130,892	50,566	44,323	69,671	59,670	50,629	137,249	142,012	118,739	94,718
Total revenues	<u>2,263,597</u>	<u>2,082,386</u>	<u>2,354,185</u>	<u>2,224,160</u>	<u>2,559,572</u>	<u>2,880,080</u>	<u>4,071,580</u>	<u>3,004,521</u>	<u>2,799,758</u>	<u>3,314,618</u>
Expenditures:										
Legislative	-	-	-	61,665	58,678	79,491	62,058	52,634	-	-
General Government	649,362	695,822	636,345	603,964	541,441	616,860	613,463	537,042	648,509	578,090
Public Safety	558,101	539,063	543,545	595,800	528,354	647,634	573,426	624,672	725,173	761,039
Public Works	523,551	776,556	821,656	569,961	494,395	802,997	2,052,754	666,513	796,555	679,791
Health and Welfare	85,300	-	-	-	-	-	-	-	-	-
Community and Economic Development	-	-	-	-	-	-	-	-	-	50,670
Recreation and Culture	136,370	234,756	133,593	139,945	226,249	140,151	112,224	180,047	198,412	166,767
Debt Service										
Principal	141,000	148,000	153,000	171,000	169,000	212,619	185,000	191,000	96,000	175,000
Interest	77,856	71,714	65,184	50,219	49,249	4,465	34,921	26,288	19,595	15,296
Capital Outlay	-	4,998	8,619	-	347,285	631,121	33,886	343,442	9,541	361,824
Total expenditures	<u>2,171,540</u>	<u>2,470,909</u>	<u>2,361,942</u>	<u>2,192,554</u>	<u>2,414,651</u>	<u>3,135,338</u>	<u>3,667,732</u>	<u>2,621,638</u>	<u>2,493,785</u>	<u>2,788,477</u>
Excess (deficiency) of revenues over (under) expenditures	<u>92,057</u>	<u>(388,523)</u>	<u>(7,757)</u>	<u>31,606</u>	<u>144,921</u>	<u>(255,258)</u>	<u>403,848</u>	<u>382,883</u>	<u>305,973</u>	<u>526,141</u>
Other financing sources (uses):										
Proceeds from the issuance of debt	-	-	-	-	-	355,946	-	-	-	-
Transfers in	324,614	327,413	513,658	298,625	178,427	171,593	416,594	364,936	501,120	454,525
Transfers out	(133,059)	(123,100)	(272,500)	(176,500)	(77,700)	(75,000)	(284,200)	(307,813)	(259,200)	(316,710)
Total financing sources (uses)	<u>191,555</u>	<u>204,313</u>	<u>241,158</u>	<u>122,125</u>	<u>100,727</u>	<u>452,539</u>	<u>132,394</u>	<u>57,123</u>	<u>241,920</u>	<u>137,815</u>
Net change in fund balances	<u>\$ 283,612</u>	<u>\$ (184,210)</u>	<u>\$ 233,401</u>	<u>\$ 153,731</u>	<u>\$ 245,648</u>	<u>\$ 197,281</u>	<u>\$ 536,242</u>	<u>\$ 440,006</u>	<u>\$ 547,893</u>	<u>\$ 663,956</u>
Debt service as a percentage of noncapital expenditures	9.5%	8.9%	9.3%	10.1%	10.6%	8.7%	6.1%	9.5%	4.7%	7.8%

**Governmental Activities Assessed Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Real Property			Personal Property	Total Taxable Assessed Value	Total Direct Rate
	Residential	Commercial	Industrial			
2014	\$ 29,805,100	\$ 21,629,600	\$ 3,580,000	\$ 8,155,651	\$ 63,170,351	16.5017
2015	28,594,590	21,272,823	3,457,487	6,827,400	60,152,300	16.5017
2016	28,566,104	20,102,857	3,330,553	5,994,000	57,993,514	16.8107
2017	28,937,151	21,540,159	3,309,801	6,158,100	59,945,211	16.6697
2018	29,342,921	22,161,256	2,925,189	6,231,100	60,360,466	16.5205
2019	30,041,652	22,634,554	2,754,681	6,843,400	62,274,287	16.4038
2020	31,053,184	23,654,124	3,026,811	6,602,300	64,116,619	16.2845
2021	32,060,830	24,037,760	2,846,300	7,093,500	66,038,390	18.2845
2022	32,060,830	24,385,483	3,069,176	7,174,700	66,690,189	16.4762
2023	34,566,934	25,693,461	3,168,320	7,141,500	70,570,215	16.4762

Source: Gladwin City Assessor

Notes: Does not include Industrial or Commercial Rehabilitation Tax

Property in the City is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to 50% of true cash value. Tax rates are per \$1,000 of taxable value.

City of Gladwin, Michigan

Property Tax Rates Direct and Overlapping Governments Last Ten Years

Fiscal Year	City of Gladwin				Overlapping Rates*									Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Other City Millage	Total City Millage	Gladwin County			Gladwin Community Schools			State Education Tax	Special Districts		
					Operating Millage	Other County Millage	Total County Millage	Non-homestead Millage	Debt Service Millage	Total School Millage				
2014	14.6457	1.8560		16.5017	4.4052	4.7500	9.1552	18.0000	2.1000	20.1000	6.0000	3.2617	55.0186	
2015	14.6457	1.8560		16.5017	4.4052	4.8600	9.2652	18.0000	2.0000	20.0000	6.0000	3.7582	55.5251	
2016	14.6457	2.1650		16.8107	4.4052	4.3600	8.7652	18.0000	2.0000	20.0000	6.0000	3.7582	55.3341	
2017	14.6457	2.0240		16.6697	4.4052	4.4600	8.8652	18.0000	2.0000	20.0000	6.0000	4.7582	56.2931	
2018	14.6457	1.8748		16.5205	4.4052	4.5600	8.9652	18.0000	2.0000	20.0000	6.0000	5.7582	57.2439	
2019	14.6457	1.7581		16.4038	4.4052	4.9600	9.3652	18.0000	1.9500	19.5000	6.0000	6.2082	57.4772	
2020	14.4845	1.8000		16.2845	4.3866	4.9410	9.3276	18.0000	1.9500	19.5000	6.0000	5.7326	56.8447	
2021	14.4845	1.8000	2.0000	18.2845	4.3866	6.4354	10.8220	18.0000	1.9500	19.9500	6.0000	4.2382	59.2947	
2022	14.4772	0.0000	1.9990	16.4762	4.3866	6.6854	11.0720	18.0000	1.9500	19.9500	6.0000	4.2382	57.7364	
2023	14.4772	0.0000	1.9990	16.4762	4.3866	7.9395	12.3261	18.0000	1.9500	19.9500	6.0000	4.2316	58.9839	

*Overlapping rates are those of local and county governments that apply to property owners with the City of Gladwin. In the City of Gladwin all overlapping rates apply to all property owners in the City.

Source: Gladwin County Apportionment Report

City of Gladwin, Michigan

**Principal Taxpayers
Current Year and Ten Years Ago**

Taxpayer	Type of Business	2023			2013		
		Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Consumers Energy	Utility	\$ 4,429,300	1	6.3	\$ 2,522,930	1	3.8
M-61 Limited Partnership Ltd	Health Care	1,246,433	2	1.8	1,227,900	3	1.9
Ashcraft Gladwin LLC	Retail	1,198,833	3	1.7			
Gladwin Pines Property Holdings	Health Care	1,116,806	4	1.6			
Riverwalk Place, LLC	Commercial/Residential	1,107,462	5	1.6	994,500	5	1.5
Jasco Properties, LLC	Manufacturing	910,960	6	1.3	877,600	6	1.3
D&W Fine Pack Acquisition LLC	Manufacturing	864,847	7	1.2	1,602,000	2	2.4
CL Realty Gladwin LLC	Real Estate Leasing	845,900	8	1.2			
Gladwin Holdings, LLC	Commercial Development	773,767	9	1.1	801,900	7	1.2
Gladwin Adult Care, LLC	Assisted Living	753,803	10	1.1			
DeShano, Gary & Florence	Construction				1,006,610	4	1.5
Packaging Direct	Manufacturing				853,900	8	1.2
Charter Communications II LP	Cable/Phone				746,924	9	1.1
Realty Income Corporation	Real Estate Leasing				882,661	10	1.0
		<u>\$ 13,248,111</u>		<u>18.8</u>	<u>\$ 11,516,925</u>		<u>16.9</u>

City of Gladwin, Michigan

**Property Tax Levies and Collections
Last Ten Years**

Tax Roll Year	Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Percent Delinquent Taxes to Tax Levy
			Amount	Percentage of Levy		Amount	Percentage of Levy		
2013	2014	\$ 1,010,050	\$ 973,492	96.38%	-	\$ 973,492	96.38%	40,493	4.009%
2014	2015	1,009,934	950,853	94.15%	-	950,853	94.15%	59,081	5.850%
2015	2016	995,039	949,467	95.42%	-	949,467	95.42%	45,573	4.580%
2016	2017	880,613	829,201	94.16%	-	829,201	94.16%	46,330	5.261%
2017	2018	984,509	938,215	95.30%	-	938,215	95.30%	46,277	4.701%
2018	2019	999,743	964,244	96.45%	-	964,244	96.45%	35,499	3.551%
2019	2020	1,024,201	994,184	97.07%	-	994,184	97.07%	30,017	2.931%
2020	2021	1,176,918	1,136,858	96.60%	-	1,136,858	96.60%	40,060	3.404%
2021	2022	1,092,209	1,061,611	97.20%	-	1,061,611	97.20%	30,599	2.802%
2022	2023	1,179,987	1,140,528	96.66%	-	1,140,528	96.66%	39,459	3.344%

Source : City Treasurer

Note: Does not include administration fees

City of Gladwin, Michigan

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Per Capita
	General Obligation Bonds	Installment Purchase	Water Supply GO Bonds	Arena Revenue Bonds	Water Supply Revenue Bonds		
2014	\$ 1,639,000	\$ 30,000	\$ -	\$ 877,996	\$ 862,991	\$ 3,409,987	1,195
2015	1,491,000	28,000	-	829,796	822,991	3,171,787	1,081
2016	1,351,000	26,000	-	-	782,991	2,159,991	736
2017	1,175,000	24,000	-	-	737,991	1,936,991	660
2018	1,068,000	22,000	-	-	692,991	1,782,991	608
2019	832,000	20,000	-	-	983,937	1,835,937	626
2020	647,000	18,000	-	-	1,525,991	2,190,991	736
2021	456,000	16,000	-	-	1,462,991	1,934,991	653
2022	360,000	14,000	-	-	1,398,991	1,772,991	615
2023	185,000	12,000	-	-	1,334,991	1,531,991	499

Note: Does not include bonds issued by component units (specifically the Downtown Development Authority).

Details regarding the city's outstanding debt can be found in the notes to the financial statements beginning on page 42.

Data is not available for the total debt outstanding expressed as a percentage of personal income.

Population data can be found in the table of Demographic and Economic Statistics on page 86.

**Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years**

Fiscal Year Ended June 30	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund (2)	Total	Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)
2014	\$ 1,639,000	\$ 28,776	\$ 1,610,224	2.49%	549
2015	1,491,000	29,665	1,461,335	2.43%	498
2016	1,351,000	29,836	1,321,164	2.28%	450
2017	1,175,000	53,734	1,121,266	1.87%	382
2018	1,068,000	74,854	993,146	1.65%	339
2019	832,000	80,066	751,934	1.21%	256
2020	647,000	85,801	561,199	0.88%	191
2021	456,000	95,804	360,196	0.55%	125
2022	360,000	97,725	262,275	0.39%	91
2023	185,000	98,145	86,855	0.12%	30

- Note:
- (1) This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.
 - (2) This is the amount restricted for debt service principal payments.
 - (3) See the Schedule of Assessed Value of Taxable Property on page 76 for property value data.
 - (4) Population data can be found in the Schedule of Demographic and Economic Statistics on page 86.

City of Gladwin, Michigan

Direct and Overlapping Governmental Activities Debt

June 30, 2023

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>City's Share of Debt</u>
Gladwin Community Schools	\$ 4,215,000	11.00%	\$ 463,650
City of Gladwin			
Direct Debt General Obligation Bonds	185,000	100.00%	185,000
Equipment Fund notes payable	12,000	100.00%	12,000
Total City of Gladwin Direct Debt			<u>197,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 660,650</u></u>

Sources: Debt outstanding data provided by the Gladwin Community School District.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Gladwin. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and business should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Debt limit	\$ 7,034,310	\$ 6,317,035	\$ 6,015,230	\$ 5,799,351	\$ 5,994,521	\$ 6,036,047	\$ 6,227,429	\$ 6,433,642	\$ 6,603,839	\$ 6,669,019
Outstanding indebtedness at June 30	<u>183,839</u>	<u>203,467</u>	<u>274,649</u>	<u>174,164</u>	<u>135,266</u>	<u>98,146</u>	<u>76,934</u>	<u>54,199</u>	<u>26,196</u>	<u>6,275</u>
Legal debt margin	<u>\$ 6,850,471</u>	<u>\$ 6,113,568</u>	<u>\$ 5,740,581</u>	<u>\$ 5,625,187</u>	<u>\$ 5,859,255</u>	<u>\$ 5,937,901</u>	<u>\$ 6,150,495</u>	<u>\$ 6,379,443</u>	<u>\$ 6,577,643</u>	<u>\$ 6,662,744</u>
Total net debt applicable to the limit as a percentage of debt limit	2.61%	3.22%	4.57%	3.00%	2.26%	1.63%	1.24%	0.84%	0.40%	0.09%
Percentage of net debt contracting margin available	97.39%	96.78%	95.43%	97.00%	97.74%	98.37%	98.76%	99.16%	99.60%	99.91%

Note: Outstanding indebtedness at June 30 excluded debt with dedicated funding sources.

Legal Debt Margin Calculation for Fiscal Year 2022

	<u>2023</u>
Total assessed value	<u>\$ 70,570,215</u>
Debt limit (10% of total assessed value)	\$ 7,057,022
Debt applicable to limit:	
Total bonded debt, end of year from page 80	1,519,991
Less: assets available for debt service from page 81	(98,145)
Less: bonds with dedicated funding source	<u>(1,334,991)</u>
Total net debt applicable to limit	<u>86,855</u>
Legal debt margin for fiscal year 2023	<u>\$ 6,970,167</u>
Legal debt margin / legal debt limit	98.77%

City of Gladwin, Michigan

**Pledged-Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year	Ice Arena Revenue Bonds						Water Supply System Revenue Bonds					
	Ice Arena Rental	Less: Operating Expenses	Net Available Revenue	Debt Service			Water Charges & Other	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
2014	\$ 80,622	\$ 2,491	\$ 78,131	\$ 50,000	\$ 29,182	0.99	\$ 336,597	\$ 514,295	\$ (177,698)	\$ 40,000	\$ 21,824	(2.87)
2015	79,413	2,387	77,026	50,000	27,985	0.99	336,522	644,470	(307,948)	40,000	20,826	(5.06)
2016	-	-	-	-	-	N/A	409,602	524,243	(114,641)	45,000	19,825	(1.77)
2017	-	-	-	-	-	N/A	388,061	564,997	(176,936)	45,000	19,013	(2.76)
2018	-	-	-	-	-	N/A	320,660	571,240	(250,580)	45,000	17,324	(4.02)
2019	-	-	-	-	-	N/A	340,911	417,512	(76,601)	45,000	20,330	(1.17)
2020	-	-	-	-	-	N/A	467,309	333,125	134,184	58,000	22,635	1.66
2021	-	-	-	-	-	N/A	558,728	359,746	198,982	53,000	38,499	2.17
2022	-	-	-	-	-	N/A	572,105	465,907	106,198	64,000	43,737	0.99
2023	-	-	-	-	-	N/A	642,811	511,395	131,416	64,000	36,055	1.31

Note: Ice Arena Bonds were issued June 24, 1999, with first principal payment in fiscal 2007; they were refunded on August 8, 2012 and defeased in September 2015.

(See page 44 in the Notes to the Financial Statements for a detailed explanation)

Water Supply System Bonds were issued January 22, 2010, with first interest payment in fiscal 2011 and first principal payment in fiscal 2012 and February 11, 2019 with first interest payment in fiscal 2019 and first principal payment in fiscal 2020.

**Annual Debt Service Requirements
June 30, 2023**

For Year Ended June 30	Governmental Activities		Business Type Activities				Total Requirements
	2004 Sewer Improvement Bonds		2010 Water Supply System Revenue Bond		2019 Water Water Supply System Revenue Bond		
	Principal	Interest	Principal	Interest	Principal	Interest	
2024	\$ 90,000	\$ 7,118	\$ 50,000	\$ 10,700	\$ 15,000	\$ 24,255	\$ 197,073
2025	95,000	2,423	55,000	9,387	15,000	23,843	200,653
2026	-	-	55,000	8,012	15,000	23,430	101,442
2027	-	-	55,000	6,637	16,000	23,018	100,655
2028	-	-	55,000	5,262	16,000	22,578	98,840
2029	-	-	60,000	3,825	17,000	22,138	102,963
2030	-	-	60,000	2,325	17,000	21,670	100,995
2031	-	-	62,991	781	18,000	21,203	102,975
2032	-	-	-	-	18,000	20,708	38,708
2033	-	-	-	-	19,000	20,213	39,213
2034	-	-	-	-	19,000	19,690	38,690
2035	-	-	-	-	20,000	19,168	39,168
2036	-	-	-	-	20,000	18,618	38,618
2037	-	-	-	-	21,000	18,068	39,068
2038	-	-	-	-	21,000	17,490	38,490
2039	-	-	-	-	22,000	16,913	38,913
2040	-	-	-	-	23,000	16,308	39,308
2041	-	-	-	-	23,000	15,675	38,675
2042	-	-	-	-	24,000	15,043	39,043
2043	-	-	-	-	24,000	14,383	38,383
2044	-	-	-	-	25,000	13,723	38,723
2045	-	-	-	-	26,000	13,035	39,035
2046	-	-	-	-	27,000	12,320	39,320
2047	-	-	-	-	27,000	11,578	38,578
2048	-	-	-	-	28,000	10,835	38,835
2049	-	-	-	-	29,000	10,065	39,065
2050	-	-	-	-	30,000	9,268	39,268
2051	-	-	-	-	30,000	8,443	38,443
2052	-	-	-	-	31,000	7,618	38,618
2053	-	-	-	-	32,000	6,765	38,765
2054	-	-	-	-	33,000	5,885	38,885
2055	-	-	-	-	34,000	4,978	38,978
2056	-	-	-	-	35,000	4,043	39,043
2057	-	-	-	-	36,000	3,080	39,080
2058	-	-	-	-	37,000	2,090	39,090
2059	-	-	-	-	39,000	1,064	40,064
	<u>\$ 185,000</u>	<u>\$ 9,541</u>	<u>\$ 452,991</u>	<u>\$ 46,929</u>	<u>\$ 882,000</u>	<u>\$ 519,202</u>	<u>\$ 2,095,663</u>

Fiscal Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
2014	2,933	n/a	n/a	n/a	n/a	n/a	n/a
2015	2,933	n/a	n/a	n/a	n/a	n/a	n/a
2016	2,933	n/a	n/a	n/a	n/a	n/a	n/a
2017	2,933	n/a	n/a	n/a	n/a	n/a	n/a
2018	2,933	n/a	n/a	n/a	n/a	n/a	n/a
2019	2,933	n/a	n/a	n/a	n/a	n/a	n/a
2020	2,884	n/a	n/a	n/a	n/a	n/a	n/a
2021	2,884	n/a	n/a	n/a	n/a	n/a	n/a
2022	2,884	n/a	n/a	n/a	n/a	n/a	n/a
2023	3,069	n/a	n/a	n/a	n/a	n/a	n/a

The population for 2012 through 2013 is based on the 2010 U.S. Census. Information is no longer available for cities of our size.

The population for 2014 through 2019 is estimated based on available information.

The population for 2020 through 2023 is based on the 2019 U.S. Census. Information is no longer available for cities of our size.

Population demographic information is no longer available for cities of our size.

City of Gladwin, Michigan

Principal Employers Current Year and Ten Years Ago

<u>Employer</u>	<u>2023</u>			<u>2013</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Saint-Gobain Performance Plastics	342	1	n/a			
MyMichigan Health	220	2	n/a	200	2	n/a
Gladwin Community Schools	174	3	n/a	235	1	n/a
Brown Machine Group	163	4	n/a			
County of Gladwin	121	5	n/a	120	3	n/a
Loose Plastics	115	6	n/a	44	9	n/a
Gladwin Pines Nursing & Rehab Center	105	7	n/a	108	4	n/a
Beaverton Community Schools	103	8	n/a			
East Jordan Plastics	100	9	n/a			
Roll-Rite	85	10	n/a			
Gladwin City Housing Commission				50	8	n/a
D&W Fine Pack				65	5	n/a
Family Fare Supermarkets				63	6	n/a
McDonald's Restaurant				60	7	n/a
Chemical Bank				40	10	n/a

* Not a top 10 employer for 2023

** Not one of the top employers for 2013

Source: Gladwin County Chamber of Commerce

City of Gladwin, Michigan

**Full-Time Equivalent City Government Employee by Function
Last Ten Fiscal Years**

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government	5.5	5.5	5.5	5.5	6.0	6.0	6.0	6.0	6.0	5.5
Public safety:										
Police:										
Officers	7.5	7.5	7.5	7.5	6.5	7.0	6.5	7.0	7.5	6.5
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	1.5	1.5
Highways and streets:										
Engineering										
Maintenance	2.0	2.0	2.0	2.0	1.0	3.0	3.0	3.0	2.0	3.0
Recreation & culture	1.0	1.0	1.0	1.0	1.5	1.5	1.5	1.0	3.5	3.0
Water	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	2.0
Sewer	2.0	2.0	2.0	2.5	2.5	2.0	2.0	2.0	2.0	2.0
Total	21.0	21.0	21.0	21.5	20.5	22.5	22.0	23.0	25.5	23.5

Source: City of Gladwin governmental departments

City of Gladwin, Michigan

**Operating Indicators by Function
Last Ten Fiscal Years**

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Arrests and Apprehensions	309	399	374	421	218	263	445	258	255	199
Complaints	675	715	583	590	574	660	399	359	491	325
Traffic Citations	545	470	392	433	312	n/a	359	416	405	212
Recreation & culture										
Campers admitted	3,213	4,359	4,699	4,503	4,106	3,800	653	2,115	2,456	2,402
Day use passes issued	1,893	2,109	2,290	2,530	3,090	2,145	1,851	1,635	2,120	2,508
Water										
New connections	-	2	-	1	3	4	2	12	4	4
Water main breaks	4	5	2	1	1	-	-	3	1	1
Average daily consumption (thousands of gallons)	346	317	342	300	300	232	310	310	310	341
Wastewater										
Average daily sewage treatment (thousands of gallons)	520	550	640	750	550	710	620	650	520	650

Sources: City of Gladwin government departments

Note: Indicators are not available for the general government function

City of Gladwin, Michigan

**Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	4	4	4	4	4	4	4	4	3	4
Streets & highways										
Streets (miles)	25.6	25.6	25.6	25.6	25.6	25.6	25.6	25.6	25.6	25.9
Traffic signals	3	3	3	3	3	3	3	3	3	3
Recreation & culture										
Parks acreage	48.45	48.45	48.45	48.45	48.45	48.45	48.45	48.45	48.45	48.45
Parks	2	2	2	2	2	2	2	2	2	2
Community centers	-	-	-	-	-	-	1	1	-	-
Water										
Water mains (miles)	25.3	25.3	25.3	25.3	25.3	25.3	25.3	25.3	25.3	25.3
Fire hydrants	226	228	228	228	228	228	228	228	228	228
Maximum daily capacity (gal)	1,656,000	1,656,000	1,656,000	1,656,000	1,656,000	1,656,000	1,656,000	1,656,000	1,656,000	1,656,000
Average daily consumption (gal)	346,000	317,000	317,000	317,000	317,000	317,000	310,000	310,000	409,075	341,428
Wastewater										
Sanitary sewers (miles)	21	21	21	21	21	21	21	21	21	21
Storm sewers (miles)	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6
Maximum daily capacity (gal)	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Average daily treatment (gal)	520,000	550,000	550,000	550,000	550,000	710,000	620,000	650,000	520,000	650,000

Sources: City of Gladwin government departments

Note: No capital asset indicators are available for the general government function

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

TORI N. KRUISE, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MICPA

OFFICES IN MICHIGAN

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

To the City Council
City of Gladwin, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gladwin, Michigan as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Gladwin, Michigan's basic financial statements and have issued our report thereon dated October 6, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Gladwin, Michigan's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gladwin, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Gladwin, Michigan'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

To the City Council
City of Gladwin

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Gladwin, Michigan'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 result 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.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

October 6, 2023



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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MEMBER MICPA

OFFICES IN MICHIGAN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the City Council
City of Gladwin
Gladwin, MI 48624

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 Gladwin, Michigan for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our letter to you dated September 19, 2023. Professional standards also require that we communicate to you the following information about 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 of Gladwin, Michigan are described in Note 1 to the financial statements. As described in Note 14 to the financial statements, the City of Gladwin, Michigan changed accounting policies related to subscription-based information technology arrangements (SBITAs) by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 96, *Subscription-Based Information Technology Arrangements* in 2023. The application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a 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 financial statements were:

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued vested employee benefits is based on current hourly rates and policies regarding payment of sick and vacation banks. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimates for pension benefits were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreement 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 auditor's 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 October 6, 2023.

Management Consultations with Other Independent 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 governmental unit's financial statements or a determination of the type of auditor's 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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention:

Budget Amendments

During our review of council meeting minutes, we noted that budget amendments only take place once a year in June prior to fiscal year-end. The Uniform Budgeting Manual States:

Section 17--Budget Amendments

- The legislative body must amend the budget as soon as a deviation is apparent.
- Amendments to the approved budget (general appropriations act) must not cause estimated total expenditures, including an accrued deficit, to exceed total estimated revenues, including an available surplus.
- The chief administrative officer may recommend, and the legislative body will approve, any amendments to the general appropriations act required.

We recommend that budget amendments take place regularly and as soon as a deviation is apparent to remain in compliance with the Uniform Budgeting Manual.

New Pronouncements

The GASB has issued the following statements and implementation guides:

1. Statement No. 99, "Omnibus 2023." The requirements related to leases, PPPs, and SBITAs will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 will take effect for financial statements starting with the fiscal year that ends June 30, 2024.
2. Statement No. 100, "Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2024.
3. Statement No. 101, "Compensated Absences." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2024.

Earlier application of these statements is encouraged. For the original pronouncements and the implementation guides, please visit the GASB's website, www.gasb.org.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and defined benefit pension plan (MERS), which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and our 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.

We were engaged to report on the combining fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquires 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.

We were not engaged to report on statistical data, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.


Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

October 6, 2023