



CITY *of* BELDING

CITY OF BELDING, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020



Vredeveld Haefner LLC
CPAs and Consultants

CITY OF BELDING

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INDEPENDENT AUDITORS' REPORT

November 10, 2020

Honorable Mayor and Members of the City Council
City of Belding, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belding, Michigan, (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belding, Michigan, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the information on pages 43 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, and Dial-A-Ride transit schedules section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Dial-A-Ride transit schedules section balances at June 30, 2020, are the responsibility of management and, except for the Schedule of Nonfinancial Information, were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, Dial-A-Ride transit schedules section balances at June 30, 2020, except for the Schedule of Nonfinancial Information, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Dial-A-Ride transit schedules section balances at other than June 30, 2020, and the Schedule of Nonfinancial Information, have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Urodeuxeld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Belding (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2019-20 Fiscal Year as follows:

- Governmental and business-type activities repaid approximately \$340,000 of long-term debt.
- Governmental activities added approximately \$760,000 of capital assets which included primarily infrastructure and land improvements.
- Net position of governmental activities increased \$114,871 while net position of business type activities increased by \$343,901.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary 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 of the City's assets and liabilities, with the 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 City'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 revenues and earned but unused compensated absences).

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 and streets, and culture and recreation. The business-type activities of the City include Dial-a-Ride, Sewer, and Water.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Downtown Development Authority (DDA) for which the City is financially accountable. Information for the component unit is reported separately from the financial information presented for the primary government itself.

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 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 City'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 City'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.

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 following major funds: the general, major streets, local streets and library funds. Data is combined into a single aggregated presentation for the other governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and all special revenue funds. A budgetary comparison statement has been provided for the budgeted funds to demonstrate legal compliance.

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 Dial-a-Ride (Transit), 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 internal service funds to account for its supplies and professional fees, building and ground maintenance, fleet of vehicles, and insurance. Because these services 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, Water, and Dial-A-Ride operations, all of which are considered to be major funds of the City. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in 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 resource of those funds is not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. This is limited to this discussion and analysis, required supplementary information, combining statements and schedules, and statistical information.

Government-wide Financial Analysis

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceeded liabilities by \$24,179,683 at the close of the most recent fiscal year. The following chart illustrates the composition of net position.

City of Belding's Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2020	2019	2020	2019	2020
Assets						
Current and other assets	\$ 3,903,018	\$ 4,209,024	\$ 2,879,053	\$ 3,244,337	\$ 6,782,071	\$ 7,453,361
Capital assets	12,882,251	12,588,325	9,337,686	9,115,785	22,219,937	21,704,110
Total assets	16,785,269	16,797,349	12,216,739	12,360,122	29,002,008	29,157,471
Deferred outflows	262,645	200,126	-	-	262,645	200,126
Liabilities						
Current liabilities	122,664	260,999	51,780	226,183	174,444	487,182
Long-term liabilities	3,762,658	3,458,202	1,606,640	1,231,719	5,369,298	4,689,921
Total liabilities	3,885,322	3,719,201	1,658,420	1,457,902	5,543,742	5,177,103
Deferred inflows	-	811	-	-	-	811
Net position						
Net invested in capital assets	11,106,040	10,966,169	7,798,045	7,760,394	18,904,085	18,726,563
Restricted	1,988,227	2,072,990	213,068	213,068	2,201,295	2,286,058
Unrestricted	68,325	238,304	2,547,206	2,928,758	2,615,531	3,167,062
Total net position	\$13,162,592	\$13,277,463	\$10,558,319	\$10,902,220	\$23,720,911	\$24,179,683

By far the largest portion of the City's net position in the amount of 77% reflects its investment in capital assets (e.g., land, buildings, machinery and 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 net position in the amount of 9% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position in the amount of \$3,167,062, or 11%, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported position net position in the governmental activities and business-type activities.

Statement of Activities - The City's total revenue for the fiscal year ended June 30, 2018, was \$6,921,640. The total cost of all programs and services was \$6,462,868. This results in a net position increase of \$458,772. The following table presents a summary of the changes in net position for the fiscal year ended June 30, 2020.

City of Belding's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2020	2019	2020	2019	2020
Revenues						
Program revenues						
Charges for services	\$ 627,239	\$ 494,833	\$ 2,107,300	\$ 2,197,054	\$ 2,734,539	\$ 2,691,887
Operating grants and contributions	986,417	874,173	139,657	134,513	1,126,074	1,008,686
Capital grants and contributions	651,170	20,163	-	149,253	651,170	169,416
General revenues						
Property taxes	2,169,021	2,285,364	-	-	2,169,021	2,285,364
State shared revenues	685,369	705,015	-	-	685,369	705,015
Investment earnings	38,828	32,109	38,103	29,163	76,931	61,272
Total revenues	5,158,044	4,411,657	2,285,060	2,509,983	7,443,104	6,921,640
Expenses						
General government	983,169	787,818	-	-	983,169	787,818
Public safety	1,712,840	1,732,300	-	-	1,712,840	1,732,300
Public works and streets	1,643,302	1,034,927	-	-	1,643,302	1,034,927
Culture and recreation	552,653	569,484	-	-	552,653	569,484
Interest on long-term debt	80,118	72,257	-	-	80,118	72,257
Dial-A-Ride	-	-	328,377	312,140	328,377	312,140
Sewer	-	-	1,061,520	1,169,394	1,061,520	1,169,394
Water	-	-	841,663	784,548	841,663	784,548
Total expenses	4,972,082	4,196,786	2,231,560	2,266,082	7,203,642	6,462,868
Increase (decrease) before transfers	185,962	214,871	53,500	243,901	239,462	458,772
Transfers in (out)	(100,000)	(100,000)	100,000	100,000	-	-
Increase (decrease) in net position	85,962	114,871	153,500	343,901	239,462	458,772
Net position – beginning	13,076,630	13,162,592	10,404,819	10,558,319	23,481,449	23,720,911
Net position – ending	\$13,162,592	\$13,277,463	\$10,558,319	\$10,902,220	\$23,720,911	\$24,179,683

Governmental Activities – Governmental activities increased the City's net position by \$114,871, which is consistent with the prior year.

Business-type Activities - Business-type activities increased the City's net position by \$343,901, due primarily to capital grants.

Financial Analysis of the Government's Funds

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

Governmental funds - The focus of the City's governmental funds is to provide information on near-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 City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,237,656, an increase of \$170,906 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund reported unassigned fund balance of \$1,159,666. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 42% of total General Fund expenditures and transfers out.

The fund balance of the General Fund increased \$86,143 during the current fiscal year. The change in fund balance is highly dependent on the level of transfers to other funds and the level of public works staff activities in parks maintenance, community center and cemetery.

Fund balance of the major streets fund was \$963,764 an increase of \$34,781 which is dependent on the level of summer and winter maintenance.

Fund balance of the local streets fund was \$285,914 an increase of \$38,647 which is dependent on the level of summer and winter maintenance.

Fund balance of the library fund was \$323,182 an increase of \$63,676 primarily due to contributions in the current year.

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

The Sewer and Water Funds provide service to most residents and businesses of the City.

Major Fund Budgetary Highlights

Increase to General Fund revenue due to property taxes exceeding estimates.

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, 2020, amounts to \$21,704,110 (net of accumulated depreciation). Of this amount, \$12,588,325 was for its governmental activities and \$9,115,785 was for its business-type activities. This investment in capital assets includes land, buildings and equipment, vehicles and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Governmental activities invested in land improvements, infrastructure and equipment while business-type activities purchased replacement equipment.

Additional information on the City's capital assets can be found in Note 5 of this report.

Long-term debt - At the end of the current fiscal year, the City had total debt outstanding of \$2,977,547. Of this amount, \$1,622,156 was reported in governmental activities and \$1,355,391 was reported in business-type activities.

Additional information on the City's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered in preparing the City's budget for the 2020/21 fiscal year:

- Flat performance of the State of Michigan's economy and slow state funding growth. Inflationary growth in expenditures.

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 City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director/Treasurer, 120 S. Pleasant Street, Belding, Michigan 48809.

BASIC FINANCIAL STATEMENTS

CITY OF BELDING
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
Assets				
Cash and pooled investments	\$ 3,983,471	\$ 2,418,066	\$ 6,401,537	\$ 29,370
Accounts receivable	34,872	567,459	602,331	-
Prepaid items	5,000	-	5,000	-
Due from other governments	185,681	45,744	231,425	-
Restricted cash and pooled investments	-	213,068	213,068	-
Capital assets				
Land	1,133,694	57,234	1,190,928	-
Construction in progress	-	94,235	94,235	-
Depreciable capital assets, net	11,454,631	8,964,316	20,418,947	-
Total assets	16,797,349	12,360,122	29,157,471	29,370
Deferred outflow of resources				
Pension related	200,126	-	200,126	-
Liabilities				
Accounts payable	17,096	12,413	29,509	-
Accrued liabilities	81,616	28,770	110,386	-
Debt due within one year	162,287	185,000	347,287	-
Noncurrent liabilities				
Compensated absences	130,029	61,328	191,357	-
Debt due in more than one year	1,459,869	1,170,391	2,630,260	-
Net pension liability	1,335,479	-	1,335,479	-
Net OPEB liability	532,825	-	532,825	-
Total liabilities	3,719,201	1,457,902	5,177,103	-
Deferred inflow of resources				
Pension related	811	-	811	-
Net position				
Net investment in capital assets	10,966,169	7,760,394	18,726,563	-
Restricted for				
Library	323,182	-	323,182	-
Capital improvements	203,240	-	203,240	-
Major streets	963,764	-	963,764	-
Local streets	285,914	-	285,914	-
Museum	102,434	-	102,434	-
Law enforcement	7,974	-	7,974	-
Permanent trusts				
Riverridge Cemetery - expendable portion	9,499	-	9,499	-
Riverridge Cemetery - corpus	150,640	-	150,640	-
Debt service	26,343	213,068	239,411	-
Unrestricted	238,304	2,928,758	3,167,062	29,370
Total net position	\$ 13,277,463	\$ 10,902,220	\$ 24,179,683	\$ 29,370

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities					
General government	\$ 787,818	\$ 330,454	\$ 3,124	\$ -	\$ (454,240)
Public safety	1,732,300	113,083	7,644	-	(1,611,573)
Public works and streets	1,034,927	336	737,561	-	(297,030)
Culture and recreation	569,484	50,960	125,844	20,163	(372,517)
Interest on long-term debt	72,257	-	-	-	(72,257)
Total governmental activities	4,196,786	494,833	874,173	20,163	(2,807,617)
Business-type activities					
Dial-A-Ride	312,140	82,234	134,513	149,253	53,860
Sewer	1,169,394	1,234,234	-	-	64,840
Water	784,548	880,586	-	-	96,038
Total business-type activities	2,266,082	2,197,054	134,513	149,253	214,738
Total primary government	\$ 6,462,868	\$ 2,691,887	\$ 1,008,686	\$ 169,416	\$ (2,592,879)
Component unit					
Downtown Development Authority	\$ 10,600	\$ -	\$ -	\$ -	\$ (10,600)
Total component units	\$ 10,600	\$ -	\$ -	\$ -	\$ (10,600)

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>
Changes in net position				
Net (expense) revenue	\$ (2,807,617)	\$ 214,738	\$ (2,592,879)	\$ (10,600)
General revenues				
Property taxes				
General operating	1,748,148	-	1,748,148	18,214
Capital improvement	178,316	-	178,316	-
County-wide library	358,900	-	358,900	-
State shared revenues - unrestricted	705,015	-	705,015	-
Interest earnings	32,109	29,163	61,272	420
Transfers - internal activities	(100,000)	100,000	-	-
Total general revenues and transfers	2,922,488	129,163	3,051,651	18,634
Change in net position	114,871	343,901	458,772	8,034
Net position, beginning of year	<u>13,162,592</u>	<u>10,558,319</u>	<u>23,720,911</u>	<u>21,336</u>
Net position, end of year	<u>\$ 13,277,463</u>	<u>\$ 10,902,220</u>	<u>\$ 24,179,683</u>	<u>\$ 29,370</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2020

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Library</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets						
Cash and pooled investments	\$ 1,064,352	\$ 913,323	\$ 271,582	\$ 340,346	\$ 500,130	\$ 3,089,733
Accounts receivable	34,872	-	-	-	-	34,872
Prepaid items	5,000	-	-	-	-	5,000
Due from other governments	117,010	51,317	17,354	-	-	185,681
Total assets	<u>\$ 1,221,234</u>	<u>\$ 964,640</u>	<u>\$ 288,936</u>	<u>\$ 340,346</u>	<u>\$ 500,130</u>	<u>\$ 3,315,286</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 1,597	\$ 4	\$ 721	\$ 10,497	\$ -	\$ 12,819
Accrued liabilities	54,971	872	2,301	6,667	-	64,811
Total liabilities	<u>56,568</u>	<u>876</u>	<u>3,022</u>	<u>17,164</u>	<u>-</u>	<u>77,630</u>
Fund balances						
Nonspendable						
Permanent fund corpus	-	-	-	-	150,640	150,640
Prepaid items	5,000	-	-	-	-	5,000
Restricted						
Permanent fund expendable	-	-	-	-	9,499	9,499
Streets	-	963,764	285,914	-	-	1,249,678
Library	-	-	-	323,182	-	323,182
Museum	-	-	-	-	102,434	102,434
Law enforcement	-	-	-	-	7,974	7,974
Capital projects	-	-	-	-	203,240	203,240
Assigned						
Debt service	-	-	-	-	26,343	26,343
Unassigned	1,159,666	-	-	-	-	1,159,666
Total fund balances	<u>1,164,666</u>	<u>963,764</u>	<u>285,914</u>	<u>323,182</u>	<u>500,130</u>	<u>3,237,656</u>
Total liabilities and fund balances	<u>\$ 1,221,234</u>	<u>\$ 964,640</u>	<u>\$ 288,936</u>	<u>\$ 340,346</u>	<u>\$ 500,130</u>	<u>\$ 3,315,286</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2020

Fund balances - total governmental funds	\$ 3,237,656
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	1,133,694
Add - capital assets (net of accumulated depreciation)	10,838,888
Certain assets are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.	
Add - deferred outflows	200,126
Less - deferred inflows	(811)
Internal service funds are used by management to charge the costs of centralized costs, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.	
Add - net position of governmental activities accounted for in the internal service funds	1,499,484
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(126,852)
Deduct - net OPEB liability	(532,825)
Deduct - net pension liability	(1,335,479)
Deduct - debt payable	(1,622,156)
Deduct - accrued interest on debt payable	<u>(14,262)</u>
Net position of governmental activities	<u>\$ 13,277,463</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Library</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues						
Taxes	\$ 1,669,565	\$ 78,583	\$ -	\$ 358,900	\$ 178,316	\$ 2,285,364
Intergovernmental revenues						
State	705,015	522,490	176,691	9,331	-	1,413,527
Licenses and permits	22,999	-	-	-	-	22,999
Charges for services	279,405	-	-	50,225	2,000	331,630
Fines	7,871	-	-	68,469	-	76,340
Donations	-	-	-	40,587	21,884	62,471
Miscellaneous	162,126	9,905	28,811	2,224	10,236	213,302
Total revenues	<u>2,846,981</u>	<u>610,978</u>	<u>205,502</u>	<u>529,736</u>	<u>212,436</u>	<u>4,405,633</u>
Expenditures						
Current						
General government	751,102	-	-	-	-	751,102
Public safety	1,464,096	-	-	-	-	1,464,096
Public works and streets	-	403,197	526,855	-	-	930,052
Culture and recreation	180,802	-	-	381,060	23,088	584,950
Debt service						
Principal	-	-	-	-	154,500	154,500
Interest	-	-	-	-	74,629	74,629
Capital outlay	-	-	-	-	125,398	125,398
Total expenditures	<u>2,396,000</u>	<u>403,197</u>	<u>526,855</u>	<u>381,060</u>	<u>377,615</u>	<u>4,084,727</u>
Revenues over (under) expenditures	<u>450,981</u>	<u>207,781</u>	<u>(321,353)</u>	<u>148,676</u>	<u>(165,179)</u>	<u>320,906</u>
Other financing sources (uses)						
Transfers in	-	50,000	360,000	-	249,838	659,838
Transfers out	(364,838)	(223,000)	-	(85,000)	(137,000)	(809,838)
Total other financing sources (uses)	<u>(364,838)</u>	<u>(173,000)</u>	<u>360,000</u>	<u>(85,000)</u>	<u>112,838</u>	<u>(150,000)</u>
Net changes in fund balances	86,143	34,781	38,647	63,676	(52,341)	170,906
Fund balances, beginning of year	<u>1,078,523</u>	<u>928,983</u>	<u>247,267</u>	<u>259,506</u>	<u>552,471</u>	<u>3,066,750</u>
Fund balances, end of year	<u>\$ 1,164,666</u>	<u>\$ 963,764</u>	<u>\$ 285,914</u>	<u>\$ 323,182</u>	<u>\$ 500,130</u>	<u>\$ 3,237,656</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

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, 2020

Net changes in fund balances - total governmental funds	\$	170,906
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Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	581,207
Deduct - depreciation expense	(885,441)

Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on debt	154,055
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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.

Add - decrease in compensated absences	14,802
Deduct - increase in other post-employment benefits	(5,677)
Deduct - increase in net pension liability	(21,913)
Deduct - decrease in deferred outflows	(62,519)
Deduct - increase in deferred inflows	(812)
Add - decrease in accrued interest	2,372

Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

Add - net income from the internal service funds	<u>167,891</u>
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Change in net position of governmental activities	\$	<u>114,871</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2020

	Enterprise Funds			Enterprise Fund Total	Governmental Activities Internal Service Funds
Assets	Sewer	Water	Nonmajor Dial-a-Ride Transit		
Current assets					
Cash and pooled investments	\$ 1,381,586	\$ 924,200	\$ 112,280	\$ 2,418,066	\$ 893,738
Accounts receivable	331,608	235,851	-	567,459	-
Due from other governments	-	-	45,744	45,744	-
Total current assets	1,713,194	1,160,051	158,024	3,031,269	893,738
Long-term assets					
Restricted cash and pooled investments	213,068	-	-	213,068	-
Land	44,814	12,420	-	57,234	-
Construction in progress	-	94,235	-	94,235	-
Land improvements	11,463	-	-	11,463	-
Buildings and equipment	1,859,273	2,594,718	695,178	5,149,169	426,325
Vehicles	-	-	546,460	546,460	1,802,219
Infrastructure	8,689,679	4,694,901	-	13,384,580	-
Less accumulated depreciation	(5,237,758)	(4,194,218)	(695,380)	(10,127,356)	(1,612,801)
Total long-term assets	5,580,539	3,202,056	546,258	9,328,853	615,743
Total assets	7,293,733	4,362,107	704,282	12,360,122	1,509,481
Liabilities					
Current liabilities					
Accounts payable	10,507	1,753	153	12,413	4,277
Accrued liabilities	16,570	6,393	5,807	28,770	2,543
Current portion of long-term debt	145,000	40,000	-	185,000	-
Total current liabilities	172,077	48,146	5,960	226,183	6,820
Long-term liabilities					
Compensated absences	22,306	31,881	7,141	61,328	3,177
Bonds payable, net of current portion	1,045,391	125,000	-	1,170,391	-
Total long-term liabilities	1,067,697	156,881	7,141	1,231,719	3,177
Total liabilities	1,239,774	205,027	13,101	1,457,902	9,997
Net position					
Net investment in capital assets	4,177,080	3,037,056	546,258	7,760,394	615,743
Restricted for debt service	213,068	-	-	213,068	-
Unrestricted	1,663,811	1,120,024	144,923	2,928,758	883,741
Total net position	\$ 6,053,959	\$ 4,157,080	\$ 691,181	\$ 10,902,220	\$ 1,499,484

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds			Enterprise Fund	Governmental Activities
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Dial-a-Ride Transit</u>	<u>Fund Total</u>	<u>Internal Service Funds</u>
Operating revenue					
Charges for services	\$ 1,168,709	\$ 868,601	\$ 82,106	\$ 2,119,416	\$ 1,479,245
Other	<u>65,525</u>	<u>11,985</u>	<u>128</u>	<u>77,638</u>	<u>-</u>
Total operating revenue	<u>1,234,234</u>	<u>880,586</u>	<u>82,234</u>	<u>2,197,054</u>	<u>1,479,245</u>
Operating expense					
Personnel services	204,598	122,649	143,873	471,120	59,769
Contractual services	118,381	108,927	28,197	255,505	763,233
Benefits	57,896	51,960	46,366	156,222	35,400
Materials and supplies	202,701	50,618	22,540	275,859	71,993
Utilities	63,162	112,406	16,474	192,042	66,008
Repair and maintenance	41,650	65,213	17,063	123,926	191,642
Equipment rentals	170,000	100,000	-	270,000	-
Depreciation	271,565	164,400	36,801	472,766	171,845
Miscellaneous	<u>-</u>	<u>4,500</u>	<u>826</u>	<u>5,326</u>	<u>7,488</u>
Total operating expense	<u>1,129,953</u>	<u>780,673</u>	<u>312,140</u>	<u>2,222,766</u>	<u>1,367,378</u>
Operating income (loss)	<u>104,281</u>	<u>99,913</u>	<u>(229,906)</u>	<u>(25,712)</u>	<u>111,867</u>
Non-operating revenue (expense)					
Federal operating grants	-	-	37,627	37,627	-
State operating grants	-	-	96,886	96,886	-
Interest income	17,056	11,143	964	29,163	6,024
Interest expense	<u>(39,441)</u>	<u>(3,875)</u>	<u>-</u>	<u>(43,316)</u>	<u>-</u>
Total non-operating revenue (expense)	<u>(22,385)</u>	<u>7,268</u>	<u>135,477</u>	<u>120,360</u>	<u>6,024</u>
Income (loss) before contributions and transfers	<u>81,896</u>	<u>107,181</u>	<u>(94,429)</u>	<u>94,648</u>	<u>117,891</u>
Federal capital grants	-	-	119,403	119,403	-
State capital grants	-	-	29,850	29,850	-
Transfers in	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>50,000</u>
Total contributions and transfers	<u>-</u>	<u>-</u>	<u>249,253</u>	<u>249,253</u>	<u>50,000</u>
Changes in net position	<u>81,896</u>	<u>107,181</u>	<u>154,824</u>	<u>343,901</u>	<u>167,891</u>
Net position, beginning of year	<u>5,972,063</u>	<u>4,049,899</u>	<u>536,357</u>	<u>10,558,319</u>	<u>1,331,593</u>
Net position, end of year	<u>\$ 6,053,959</u>	<u>\$ 4,157,080</u>	<u>\$ 691,181</u>	<u>\$ 10,902,220</u>	<u>\$ 1,499,484</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds			Enterprise Fund	Governmental Activities
	Sewer	Water	Nonmajor Dial-a-Ride Transit	Total	Internal Service Funds
Cash flows from operating activities					
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ -	\$ 1,479,593
Receipts from customers and users	1,224,421	872,652	85,357	2,182,430	-
Operating grants	-	-	134,513	134,513	-
Payments to employees	(271,559)	(170,553)	(193,910)	(636,022)	(95,751)
Payments to suppliers	(592,969)	(451,129)	(86,148)	(1,130,246)	(1,101,688)
Net cash provided by (used in) operating activities	<u>359,893</u>	<u>250,970</u>	<u>(60,188)</u>	<u>550,675</u>	<u>282,154</u>
Cash flows from non-capital financing activities					
Transfers in	-	-	100,000	100,000	50,000
Cash flows from capital and related financing activities					
Interest paid	(38,690)	(3,874)	-	(42,564)	-
Capital grants	-	-	149,253	149,253	-
Principal on bonds	(145,000)	(40,000)	-	(185,000)	-
Acquisitions of capital assets	(41,566)	(60,048)	(149,253)	(250,867)	(182,337)
Net cash provided by (used in) capital and related financing activities	<u>(225,256)</u>	<u>(103,922)</u>	<u>-</u>	<u>(329,178)</u>	<u>(182,337)</u>
Cash flows from investing activities					
Interest income	<u>17,056</u>	<u>11,143</u>	<u>964</u>	<u>29,163</u>	<u>6,025</u>
Net increase (decrease) in cash and pooled investments	151,693	158,191	40,776	350,660	155,842
Cash and pooled investments, beginning of year	<u>1,442,961</u>	<u>766,009</u>	<u>71,504</u>	<u>2,280,474</u>	<u>737,896</u>
Cash and pooled investments, end of year	<u>\$ 1,594,654</u>	<u>\$ 924,200</u>	<u>\$ 112,280</u>	<u>\$ 2,631,134</u>	<u>\$ 893,738</u>
Cash flows from operating activities					
Operating income (loss)	\$ 104,281	\$ 99,913	\$ (229,906)	\$ (25,712)	\$ 111,867
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	271,565	164,400	36,801	472,766	171,845
Operating grants	-	-	134,513	134,513	-
Change in operating assets and liabilities which provided (used) cash					
Accounts receivable	(9,813)	(7,934)	-	(17,747)	348
Due from other governments	-	-	3,123	3,123	-
Accounts payable	2,925	(9,465)	(1,048)	(7,588)	(1,324)
Accrued liabilities	(1,601)	(1,118)	(290)	(3,009)	320
Compensated absences	(7,464)	5,174	(3,381)	(5,671)	(902)
Net cash provided by (used in) operating activities	<u>\$ 359,893</u>	<u>\$ 250,970</u>	<u>\$ (60,188)</u>	<u>\$ 550,675</u>	<u>\$ 282,154</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
AGENCY FUNDS
STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2020

	<u>Agency Funds</u>
Assets	
Cash and pooled investments	\$ 19,100
Due from other governments	<u>12,973</u>
Total assets	<u>\$ 32,073</u>
 Liabilities	
Accounts payable	\$ 19,100
Other liabilities	<u>12,973</u>
Total liabilities	<u>\$ 32,073</u>

The accompanying notes are an integral part of these financial statements.

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CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Belding, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the City.

Blended Component Unit

The Belding Building Authority - The members of the governing board of the Building Authority are appointed by the City Council. The City has significant influence over operations of the Building Authority and is also accountable for its fiscal matters. The Building Authority provides services exclusively to the primary government.

Discretely Presented Component Units

The component unit column in the basic financial statements include the financial data of the Downtown Development Authority (DDA). These component unit is reported in a separate column to emphasize that it is legally separate from the City. The City also has a Local Development Finance Authority (LDFA) component unit which had no financial assets or financial activity during the year. The LDFA was formed in 1993 and the bonds related to this entity have been paid and the related projects have been completed. The members of the governing boards of these Authorities are appointed by the City Council. The budgets of these Authorities must be approved by the City Council, and the City has the ability to significantly influence their operations. Financial statements are not separately issued for the component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are changes between enterprise functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from discretely presented *component units* for which the primary government is financially accountable.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, state revenue, grants, 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 fund are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for shared costs, equipment utilization, and insurance coverage. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal service funds include the cost of services (including claims), administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

The *Major Streets Fund* accounts for the accumulation and disbursement of resources for major street construction, maintenance and snow removal. Funding is derived primarily through Michigan Public Act 51 gas and weight taxes distributed to the City by the State of Michigan.

The *Local Streets Fund* accounts for the accumulation and disbursement of resources for local street construction, maintenance and snow removal. Funding is derived primarily through Michigan Public Act 51 gas and weight taxes distributed to the City by the State of Michigan.

The *Library Fund* accounts for the accumulation and disbursement of resources for Library operations. Funding is derived primarily from property taxes and court ordered penal fines.

The City reports the following major proprietary funds:

The *Sewer Enterprise Fund* is used to account for the operations of the City's sewer department that provides sewer services to most residents of the City on a user charge basis.

The *Water Enterprise Fund* is used to account for the operations of the City's water department that provides water services to most residents of the City on a user charge basis.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* are used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs of governmental funds.

The *Permanent Funds* are used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the City programs.

The *Dial-a-Ride Transit Enterprise Fund* is used to account for the revenues and expenses related to the City-run bus service. This fund is primarily funded through State and Federal grants, contractual agreements, and passenger fares combined with a General Fund appropriation.

The *Internal Service Funds* are used to account for shared services, equipment usage, and insurance coverage provided to the City departments and funds on a cost reimbursement basis.

The *Agency Funds* are used to account for the collection and disbursement of property taxes that are collected on behalf of outside governments, and payroll activities for both the City and Housing Commission.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Budgets and Budgetary Accounting

Comparisons to budget are presented for General and Special Revenue funds. General and Special Revenue funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the General and Special Revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the City are governed by Michigan state law. The appropriations resolution is based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Michigan law. Any revision that alters the total expenditures of any activity must be approved by the City Council. The City Manager is authorized to transfer budgeted amounts within an activity subject to the condition that the total expenditures do not exceed the approved appropriations by activity (department). Thus the legal level of budgetary control is at the department level. Supplemental appropriations were necessary during the year.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the City considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal of these balances at any time similar to a demand deposit account. Restricted cash consists of amounts set aside in accordance with bond provisions for principal payment in the event of default.

Investments

Investments are stated at fair value at the balance sheet date.

State statutes and City policy authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial to the financial statements.

Prepaid Items

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

Capital Assets

Capital assets, which include land, construction in progress, buildings and equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received. The amount reported for infrastructure includes only assets added since 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	15-20
Buildings and equipment	5-50
Vehicles	5-15
Public domain infrastructure	20-50
System infrastructure	10-75

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures or expenses regardless of fund or activity.

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 (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation and sick time benefits under formulas and conditions specified in the contracts. Accumulated vacation and sick time of governmental funds is recorded on the statement of net position and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net position of the individual enterprise funds.

Property Taxes

City property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before August 15. These summer tax bills include the City's own property taxes and taxes billed on behalf of other taxing units within the City limits. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

Property taxes levied in July of each year are recognized as revenue in that year.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Interfund Transactions

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

Deferred Outflows/Inflows 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has items that qualify for reporting in this category related to the net pension liability which is discussed in Note 6.

In addition to liabilities, the statement of financial position 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has items that qualify for reporting in this category related to the net pension liability which is discussed in Note 6.

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal resolution of the entity's governing board.
4. Assigned - the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

The governing Board has not delegated the authority to assign amounts to be used for specific purpose.

Net Position and Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

2. COMPLIANCE

Expenditures Over Appropriations

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a functional basis. The approved budgets of the City for these budgeted funds were adopted at the activity level.

During the year ended June 30, 2020, the City incurred no expenditures in budgetary funds which were in excess of the amounts appropriated.

3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and pooled investments and investments are as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and pooled investments	\$6,401,537	\$29,370	\$19,100	\$6,450,007
Restricted cash and pooled investments	213,068	-	-	213,068
	<u>\$6,614,605</u>	<u>\$29,370</u>	<u>\$19,100</u>	<u>\$6,663,075</u>

Cash and pooled investments and investments captions consist of the following at June 30, 2020:

Deposits and certificates of deposit	\$2,555,418
Pooled funds and securities	4,107,107
Petty cash	<u>550</u>
Total	<u>\$6,663,075</u>

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value. Interest is recorded when earned.

Custodial Credit Risk - Deposits. Custodial 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, \$2,071,032 of the City's bank balance of \$2,675,951 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

Investments

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
MBIA Michigan Class	n/a	\$4,107,107	AAAm	S&P

The above investments do not include certificates of deposit which are classified as deposits for risk identification purposes.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments. Note 1, the summary of significant accounting policies, identifies state law governing investments. 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 to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at year-end.

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. Note 1, the summary of significant accounting policies identifies state law governing investments. The investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year-end.

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. Of the above pooled fund investments, the City's custodial credit risk exposure cannot be determined because the pooled funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

The City categorizes its fair value measurements of investments 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.

The City has the following recurring fair value measurements as of year-end.

- The City does not have any investments that report fair value based on quoted market prices (Level 1 inputs).
- The MBIA Michigan Class investments are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The City does not has any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2020 are as follows:

	Transfers In					Total
	Major Streets	Local Streets	Nonmajor Governmental	Dial-a-Ride Transit	Internal Service Funds	
Transfers out						
General fund	\$50,000	\$ -	\$164,838	\$100,000	\$50,000	\$364,838
Major Streets	-	223,000	-	-	-	223,000
Library fund	-	-	85,000	-	-	85,000
Nonmajor governmental	-	137,000	-	-	-	137,000
Total	\$50,000	\$360,000	\$249,838	\$100,000	\$50,000	\$809,838

Transfers are used to (1) move unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,133,694	\$ -	\$ -	\$ 1,133,694
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	1,133,694	-	-	1,133,694
Capital assets, being depreciated				
Land improvements	3,479,311	248,511	-	3,727,822
Buildings and improvements	6,268,587	-	-	6,268,587
Furniture and equipment	682,259	16,009	24,554	673,714
Motor vehicles	3,207,027	188,578	620,028	2,775,577
Infrastructure	11,450,872	310,446	-	11,761,318
Total capital assets, being depreciated	25,088,056	763,544	644,582	25,207,018
Less accumulated depreciation for				
Land improvements	2,853,547	166,315	-	3,019,862
Buildings and improvements	3,401,097	171,876	-	3,572,973
Furniture and equipment	604,699	14,673	24,554	594,818
Motor vehicles	2,579,692	163,702	619,844	2,123,550
Infrastructure	3,900,464	540,720	-	4,441,184
Total accumulated depreciation	13,339,499	1,057,286	644,398	13,752,387
Net capital assets, being depreciated	11,748,557	(293,742)	184	11,454,631
Governmental activities capital assets, net	\$12,882,251	\$(293,742)	\$ 184	\$12,588,325

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	Balance July 1, <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2020</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 57,234	\$ -	\$ -	\$ 57,234
Construction in progress	45,890	48,345	-	94,235
Total capital assets, not being depreciated	103,124	48,345	-	151,469
Capital assets being depreciated				
Land improvements	11,463	-	-	11,463
Buildings and equipment	5,149,169	-	-	5,149,169
Vehicles	397,207	149,253	-	546,460
Infrastructure	13,331,311	53,269	-	13,384,580
Total capital assets, being depreciated	18,889,151	202,522	-	19,091,672
Less accumulated depreciation for				
Land improvements	11,463	-	-	11,463
Buildings and equipment	2,980,301	107,507	-	3,087,808
Vehicles	387,106	19,453	-	406,559
Infrastructure	6,275,720	345,806	-	6,621,526
Total accumulated depreciation	9,654,590	472,766	-	10,127,356
Net capital assets, being depreciated	9,234,560	(270,244)	-	8,964,316
Business-type activities capital assets, net	\$9,337,684	\$(221,899)	\$ -	\$9,115,785

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

Governmental Activities	
General government	\$ 118,770
Public safety	242,640
Public works and streets	441,430
Culture and recreation	82,601
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	171,845
Total depreciation expense - governmental activities	\$1,057,286
Business-type activities	
Dial-a-Ride	\$ 36,801
Sewer	271,565
Water	164,400
Total depreciation expense - business-type activities	\$472,766

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

6. PENSION PLANS

Defined Contribution Pension Plan

The City of Belding's Employee Retirement System is a defined contribution plan, which provides pension benefits to substantially all employees working more than 1,000 hours per year exclusive of those participating in the defined benefit plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate immediately upon employment. For employees hired prior to December 1, 2003, the City contributes 9% of each participant's base salary to the plan. The City's contributions are vested 100% upon hire. Employees hired after December 1, 2003 are required to contribute at least 2% of their base salary to be eligible for City contributions which range from 6% to 10% based on the employee's contribution. The City's contributions for this employee group vest 25% per year and are 100% vested after four years. The plan provisions and contribution amounts were established by City Council and may be amended by City Council. The plan is administered by the ICMA.

During the year, the City contributed \$101,140 and plan members contributed \$69,053 to the plan.

Library employees are covered under a separate plan in which the City is contributing to separate retirement annuity accounts for three individuals. During the year, the City contributed \$2,526 and plan members contributed \$2,369 to the plan.

Defined Benefit Plan

Plan Description

The employer's defined benefit 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 by accessing the MERS website at www.mersofmich.com.

Benefits Provided

Benefits provided include a multiplier of 2.25 times final average compensation. Vesting period of 10 years. Normal retirement age is 60 with early retirement at 55 with 15 years of service. Final average compensation is calculated based on 5 years.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2019):

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled but not yet receiving benefits	4
Active plan members	7
Total	<u>18</u>

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Contributions

The City is required to contribute an actuarially determined fixed amount, which for the current year was \$8,449 per month. Participating employees are required to contribute from 0% to 9% percent of gross wages to the Plan based on position and classification. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

The total pension liability in the December 31, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: base wage inflation of 3.00% in the long-term (plus merit and longevity from 0 to 11% based on age)

Investment rate of return: 7.35%, net of investment expense, including inflation

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2014 disabled retiree mortality tables of a 50% Male and 50% Female blend of disabled retirees

The actuarial assumptions used in the valuation were based on the results of the 2020 actuarial experience study.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return*</u>
Global Equity	60.0%	7.75%	3.15%
Global Fixed Income	20.0%	3.75%	0.25%
Private Investments	20.0%	9.75%	1.45%
Inflation			2.50%
Administrative fee			0.25%
Investment rate of return			7.60%

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Discount rate. The discount rate used to measure the total pension liability is 7.60% which decreased from 8.00% the prior year. 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			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at December 31, 2018	\$2,480,307	\$1,166,741	\$1,313,566
Changes for the Year:			
Service cost	33,497	-	33,497
Interest	191,898	-	191,898
Change in benefits	-	-	-
Differences between expected and actual experience	14,435	-	14,435
Change in assumptions	77,312	-	77,312
Contributions: employer	-	110,305	(110,305)
Contributions: employee	-	31,237	-31,237
Net investment income	-	156,381	-156,381
Benefit payments, including refunds	(196,675)	(196,675)	-
Administrative expense	-	(2,694)	2,694
Other changes	-	-	-
Net changes	120,467	98,554	21,913
Balance at December 31, 2019	\$2,600,774	\$1,265,295	\$1,335,479

Sensitivity of the Net Pension Liability to Changes in the Discount Rate.

The following presents the net pension liability of the employer, calculated using the discount rate of 7.6%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.6%) or higher (8.6%) than the current rate.

	1% Decrease	Current Discount rate	1% Increase
Total Pension Liability	\$2,895,118	\$2,600,774	\$2,356,937
Fiduciary Net Position	1,265,295	1,265,295	1,265,295
Net Pension Liability	\$1,629,823	\$1,335,479	\$1,091,642

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

For the year ended June 30, 2020 the employer recognized pension expense of \$188,728. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ 68,751	\$(811)
Differences in assumptions	76,654	-
Excess (deficit) investment returns	4,829	-
Contributions subsequent to the measurement date*	49,892	-
	<hr/>	<hr/>
Total	<u>\$200,126</u>	<u>\$(811)</u>

* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the City's year ending 2021.

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

2021	\$ 60,805
2022	41,041
2023	42,297
2024	5,280
2025	-
Thereafter	-
	<hr/>
Total	<u>\$149,423</u>

7. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City administers a single-employer defined benefit healthcare plan (the "Plan"). In addition to the retirement benefits described in Note 6, the plan provides health insurance benefits to certain retirees and their beneficiaries, which are funded on a discretionary basis. The retiree health plan does not issue a publicly available financial report and a legal trust has not been established for the plan.

Benefits provided

The plan provides health insurance premiums for retirees until death of the employee at a rate ranging from \$200 to \$400 per month based on years of service. Benefit provisions are established through negotiations between the City and bargaining units and employee groups.

Membership of the plan consisted of the following at the date of the latest actuarial valuation (June 30, 2020):

Retirees and beneficiaries receiving benefits	7
Active plan members	<hr/> 2
Total	<hr/> 9

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

This Plan is closed to employees hired after January 1, 2004

Contributions

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City's contributions are based on pay-as-you-go financing requirements.

Net OPEB Liability

The employer's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an annual actuarial valuation as of that date.

The total OPEB liability in the June 30, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: Not applicable as benefit at retirement is fixed

Salary Increases: Not applicable as benefit at retirement is fixed

Discount rate: 2.7%

Healthcare cost trend rates: Not applicable as benefit at retirement is fixed

Mortality rates were based on the 2015 life tables for males or females, as appropriate, from the Social Security Administration.

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

Discount rate. The discount rate used to measure the total OPEB liability is 2.7% (20 year AA/Aa tax exempt municipal bond yield). Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. This discount rate is used to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Total OPEB Liability (a)
Balance at June 30, 2019	<u>\$527,148</u>
Changes for the Year:	
Service cost	9,735
Interest	13,978
Change in benefits	-
Differences between expected and actual experience	-
Change in assumptions	10,564
Contributions	-
Benefit payments, including refunds	(28,600)
Administrative expense	-
Other changes	-
Net changes	<u>5,677</u>
Balance at June 30, 2020	<u>\$532,825</u>

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Sensitivity of the Net OPEB Liability to changes in the discount rate.

The following presents the net OPEB liability of the employer, calculated using the discount rate of 2.7%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower (1.7%) or higher (3.7%) than the current rate.

	1% Decrease	Current Discount rate	1% increase
Total OPEB liability	\$591,654	\$532,825	\$481,113

Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rates.

The net OPEB liability is not affected by changes in the healthcare cost trend rates because the benefit is a fixed amount.

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

For the year ended June 30, 2020 the employer recognized OPEB expense of \$34,277.

Defined Contribution OPEB Plan

The City of Belding's OPEB Plan is a defined contribution plan, which provides OPEB benefits to police and fire employees hired after January 1, 2004. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate immediately upon employment. Employees hired after January 1, 2004 are required to contribute 1-3% of their base salary. The City contributes 1.5% of covered wages. The City's contributions are vested 100% upon hire. Benefit provisions are established through negotiations between the City and bargaining units and employee groups. The plan is administered by the MERS. During the year, the City contributed \$5,804 and plan members contributed \$37,574 to the plan.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

8. LONG-TERM DEBT

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Governmental activities					
Private placements					
\$600,000, 2006 Parking lot installment note. Payments due in annual installments of \$56,060 through November 1, 2021, including interest at 4.55%.	\$ 158,211	\$ -	\$ 49,055	\$ 109,156	\$ 51,287
\$2,810,000 Building Authority Bonds, Series 2006, issued through USDA Rural Development. Payments due in annual installments of \$7,000 to \$110,000 through 2046, plus interest at 4.25%.	1,463,000	-	30,000	1,433,000	31,000
Total private placements	1,621,211	-	79,055	1,542,156	82,287
Public placement					
\$950,000 Building Authority Bonds, Series 2000. Payments due in annual installments of \$30,000 to \$80,000 through November 1, 2020, plus interest at 5.25% to 5.375%.	155,000	-	75,000	80,000	80,000
Total bonds and notes	1,776,211	-	154,055	1,622,156	162,287
Accrued employee benefits	145,733	-	15,704	130,029	-
Total governmental activities	\$1,921,944	\$ -	\$169,759	\$1,752,185	\$162,287

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Business-type activities					
Private Placement					
\$685,000 2003 City of Belding Act 94 Water Supply System Revenue Bonds due in annual installments of \$25,000 to \$45,000 through October 1, 2023; plus interest at 2.50%.	\$ 205,000	\$ -	\$ 40,000	\$ 165,000	\$ 40,000
\$995,000 Capital Improvement General Obligation Bonds, Series 2007 due in annual installments of \$35,000 to \$75,000 beginning April 1, 2010 through April 1, 2028, plus interest at 4.4% to 4.7%.	575,000	-	55,000	520,000	55,000
\$1,746,316 2007 Act 94 Sewage Disposal System Revenue Bonds due in annual installments of \$85,000 to \$115,000 through October 1, 2027, plus interest at 1.625%.	766,316	-	90,000	676,316	90,000
Total bonds	1,546,316	-	185,000	1,361,316	185,000
Unamortized discount	(6,675)	-	(750)	(5,925)	-
Accrued employee benefits	66,999	5,671	-	61,328	-
Total business-type activities	<u>\$1,606,640</u>	<u>\$5,671</u>	<u>\$184,250</u>	<u>\$1,416,719</u>	<u>\$185,000</u>

The following is a summary of the debt transactions of the City for the year ended June 30, 2020:

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits and unamortized discounts) as of June 30, 2020 are as follows:

Year Ending June 30	Governmental Activities				Business-type Activities	
	<u>Private placement</u>		<u>Public placement</u>		<u>Public placement</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 82,287	\$ 66,292	\$80,000	\$2,150	\$ 185,000	\$ 37,905
2022	90,869	60,840	-	-	190,000	32,967
2023	35,000	58,714	-	-	190,000	27,806
2024	36,000	57,205	-	-	200,000	22,518
2025	38,000	55,633	-	-	155,000	17,505
2026-2030	218,000	251,687	-	-	441,316	25,252
2031-2035	270,000	200,133	-	-	-	-
2036-2040	335,000	136,107	-	-	-	-
2041-2045	413,000	56,846	-	-	-	-
2046-2047	24,000	1,148	-	-	-	-
Total	<u>\$1,542,156</u>	<u>\$944,605</u>	<u>\$80,000</u>	<u>\$2,150</u>	<u>\$1,361,316</u>	<u>\$163,953</u>

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Compensated absences of governmental funds are generally liquidated with General fund resources. Other post-employment benefits of governmental are generally liquidated with General fund resources.

The outstanding direct borrowings contain the following provision:

Building Authority bonds: the City shall be required to use money from its general fund or levy an ad valorem tax sufficient to pay the obligation, subject to applicable constitutional, statutory, and charter limitations.

Installment note: the entity has pledged its limited full faith and credit.

The City has pledged future sewer system total revenues, net of specified operating expenses, to repay \$1.75 million of certain sewage disposal system revenue bonds issued in 2007. Proceeds from these bonds provided financing for improvements to the sewer system. These particular bonds are payable solely from sewer system net revenues and are payable through 2027. Annual principal and interest payments on these bonds are expected to require less than 15 percent of net revenues. The total principal and interest remaining to be paid on these bonds is \$717,793. For the current year, principal and interest paid was \$101,721 and revenues were \$1,234,234.

9. TAX ABATEMENTS

The City entered into property tax abatements agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption). PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 12 years as determined by the local unit of government. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The IFT is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%. For the year ended June 30, 2020 the City abated property tax revenues of approximately \$6,000.

The City entered into a property tax abatement agreement with a local organization to provide housing for low income and senior persons and families and to encourage the development of such housing by providing for a service charge in lieu of property taxes in accordance with the State Housing Development Authority Act of 1966 (1966 PA 346, as amended, MCL 125.1401, et seq, MSA 116.11-4(1), et seq). Under the agreement the organization pays 10% of annual shelter rent in lieu of taxes or the ad valorem property taxes whichever is smaller. The agreement is approved for a term dependent on the status of outstanding loans, participation in low income housing tax credits, and rehabilitation of the property. For the year ended June 30, 2020 the City abated property tax revenues of approximately \$55,000.

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; injuries to employees; and natural disasters for which the government carries commercial insurance. The City carries commercial health, dental, and optical insurance. Generally accepted accounting principles require that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

11. CONTINGENCIES

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, management believes such disallowances, if any, will not be material to the financial position of the City.

12. CONCENTRATIONS

The City has a significant economic dependence on a business that is a major employer and user of water and sewer services. The business accounted for \$338,427 (39%) of water sales.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BELDING

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 1,586,000	\$ 1,666,000	\$ 1,669,565	\$ 3,565
Intergovernmental revenues				
State	715,226	682,226	705,015	22,789
Licenses and permits	15,500	21,700	22,999	1,299
Charges for services	256,408	273,290	279,405	6,115
Fines	9,000	7,100	7,871	771
Miscellaneous	96,400	156,535	162,126	5,591
Total revenues	<u>2,678,534</u>	<u>2,806,851</u>	<u>2,846,981</u>	<u>40,130</u>
Expenditures				
Current				
General government	817,517	792,427	751,102	41,325
Public safety	1,508,069	1,562,369	1,464,096	98,273
Culture and recreation	192,706	228,706	180,802	47,904
Total expenditures	<u>2,518,292</u>	<u>2,583,502</u>	<u>2,396,000</u>	<u>187,502</u>
Revenues over (under) expenditures	160,242	223,349	450,981	227,632
Other financing sources (uses)				
Transfers out	(160,213)	(370,213)	(364,838)	5,375
Net changes in fund balance	29	(146,864)	86,143	233,007
Fund balance, beginning of year	<u>1,078,523</u>	<u>1,078,523</u>	<u>1,078,523</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,078,552</u>	<u>\$ 931,659</u>	<u>\$ 1,164,666</u>	<u>\$ 233,007</u>

CITY OF BELDING

MAJOR STREETS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ 94,000	\$ 78,500	\$ 78,583	\$ 83
Intergovernmental revenues				
State	559,000	539,000	522,490	(16,510)
Miscellaneous	<u>7,000</u>	<u>9,000</u>	<u>9,905</u>	<u>905</u>
Total revenues	660,000	626,500	610,978	(15,522)
Expenditures				
Current				
Public works and streets	<u>517,250</u>	<u>432,750</u>	<u>403,197</u>	<u>29,553</u>
Revenues over (under) expenditures	<u>142,750</u>	<u>193,750</u>	<u>207,781</u>	<u>14,031</u>
Other financing sources (uses)				
Transfers in	-	50,000	50,000	-
Transfers out	<u>(142,000)</u>	<u>(223,000)</u>	<u>(223,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(142,000)</u>	<u>(173,000)</u>	<u>(173,000)</u>	<u>-</u>
Net changes in fund balance	750	20,750	34,781	14,031
Fund balance, beginning of year	<u>928,983</u>	<u>928,983</u>	<u>928,983</u>	<u>-</u>
Fund balance, end of year	<u>\$ 929,733</u>	<u>\$ 949,733</u>	<u>\$ 963,764</u>	<u>\$ 14,031</u>

CITY OF BELDING

LOCAL STREETS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 189,000	\$ 182,000	\$ 176,691	\$ (5,309)
Miscellaneous	<u>21,000</u>	<u>28,000</u>	<u>28,811</u>	<u>811</u>
Total revenues	210,000	210,000	205,502	(4,498)
Expenditures				
Current				
Public works and streets	<u>488,650</u>	<u>549,650</u>	<u>526,855</u>	<u>22,795</u>
Revenues over (under) expenditures	(278,650)	(339,650)	(321,353)	18,297
Other financing sources (uses)				
Transfers in	<u>279,000</u>	<u>360,000</u>	<u>360,000</u>	<u>-</u>
Net changes in fund balance	350	20,350	38,647	18,297
Fund balance, beginning of year	<u>247,267</u>	<u>247,267</u>	<u>247,267</u>	<u>-</u>
Fund balance, end of year	<u>\$ 247,617</u>	<u>\$ 267,617</u>	<u>\$ 285,914</u>	<u>\$ 18,297</u>

CITY OF BELDING

LIBRARY FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 318,000	\$ 358,900	\$ 358,900	\$ -
Intergovernmental revenues				
State	5,000	9,330	9,331	1
Charges for services	40,050	41,930	50,225	8,295
Fines	72,000	68,450	68,469	19
Donations	32,500	40,389	40,587	198
Miscellaneous	2,000	1,982	2,224	242
Total revenues	469,550	520,981	529,736	8,755
Expenditures				
Current				
Culture and recreation	384,550	435,981	381,060	54,921
Revenues over (under) expenditures	85,000	85,000	148,676	63,676
Other financing sources (uses)				
Transfers out	(85,000)	(85,000)	(85,000)	-
Net changes in fund balance	-	-	63,676	63,676
Fund balance, beginning of year	259,506	259,506	259,506	-
Fund balance, end of year	\$ 259,506	\$ 259,506	\$ 323,182	\$ 63,676

CITY OF BELDING
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION
LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2020

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 33,497	\$ 32,240	\$ 35,205	\$ 26,748	\$ 36,382	\$ 40,621
Interest	191,898	186,492	183,357	173,772	160,085	152,995
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	14,435	38,567	(1,621)	64,706	74,947	-
Changes in assumptions	77,312	-	-	-	88,824	-
Benefit payments including employee refunds	(196,675)	(184,031)	(168,510)	(130,782)	(116,606)	(94,526)
Other	-	-	-	-	-	-
Net change in total pension liability	<u>120,467</u>	<u>73,268</u>	<u>48,431</u>	<u>134,444</u>	<u>243,632</u>	<u>99,090</u>
Total pension liability, beginning of year	<u>2,480,307</u>	<u>2,407,039</u>	<u>2,358,608</u>	<u>2,224,164</u>	<u>1,980,532</u>	<u>1,881,442</u>
Total pension liability, end of year	<u>\$ 2,600,774</u>	<u>\$ 2,480,307</u>	<u>\$ 2,407,039</u>	<u>\$ 2,358,608</u>	<u>\$ 2,224,164</u>	<u>\$ 1,980,532</u>
Plan Fiduciary Net Position						
Contributions-employer	\$ 110,305	\$ 104,844	\$ 84,623	\$ 60,203	\$ 52,421	\$ 54,792
Contributions-employee	31,237	28,766	28,840	30,005	31,423	25,713
Net investment income	156,381	(48,542)	151,811	123,409	(17,400)	69,552
Benefit payments including employee refunds	(196,675)	(184,031)	(168,510)	(130,782)	(116,606)	(94,526)
Administrative expense	(2,694)	(2,438)	(2,406)	(2,437)	(2,513)	(2,559)
Net change in plan fiduciary net position	<u>98,554</u>	<u>(101,401)</u>	<u>94,358</u>	<u>80,398</u>	<u>(52,675)</u>	<u>52,972</u>
Plan fiduciary net position, beginning of year	<u>1,166,741</u>	<u>1,268,142</u>	<u>1,173,784</u>	<u>1,093,386</u>	<u>1,146,061</u>	<u>1,093,089</u>
Plan fiduciary net position, end of year	<u>\$ 1,265,295</u>	<u>\$ 1,166,741</u>	<u>\$ 1,268,142</u>	<u>\$ 1,173,784</u>	<u>\$ 1,093,386</u>	<u>\$ 1,146,061</u>
Employer net pension liability	<u>\$ 1,335,479</u>	<u>\$ 1,313,566</u>	<u>\$ 1,138,897</u>	<u>\$ 1,184,824</u>	<u>\$ 1,130,778</u>	<u>\$ 834,471</u>
Plan fiduciary net position as a percentage of the total pension liability	49%	47%	53%	50%	49%	58%
Covered employee payroll	\$ 355,258	\$ 335,136	\$ 357,105	\$ 339,780	\$ 356,040	\$ 398,741
Employer's net pension liability as a percentage of covered employee payroll	376%	392%	319%	349%	318%	209%

Notes to schedule:

Above data is based on a December 31 measurement date.

This schedule is being accumulated prospectively until ten years of data is presented.

CITY OF BELDING

DEFINED BENEFIT PENSION PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2020

Fiscal Year end	Actuarially determined contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
6/30/2015	\$ 51,707	\$ 51,707	\$ -	\$ 398,741	13%
6/30/2016	48,828	48,828	-	356,040	14%
6/30/2017	72,060	72,060	-	339,780	21%
6/30/2018	74,172	97,762	(23,590)	357,105	27%
6/30/2019	94,152	112,147	(17,995)	335,136	33%
6/30/2020	103,485	103,485	-	355,258	29%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	5 year smoothed (10 year smoothing 2014)
Inflation	2.5% (3.5% 2014)
Salary increases	3.00% (3.75% for 2015 through 2019)
Investment rate of return	7.35% (7.75% for 2015 through 2019)
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male RP-2014 mortality table

Note to schedule:

The schedule is being accumulated prospectively until 10 years of information is presented

CITY OF BELDING

DEFINED BENEFIT OPEB PLAN SCHEDULE OF CHANGES IN EMPLOYERS NET OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 9,735	\$ 2,701	\$ 35,705
Interest	13,978	15,432	13,312
Changes in benefit terms	-	-	-
Difference between expected and actual experience	10,564	8,873	23,531
Changes in assumptions	-	-	-
Benefit payments including employee refunds	(28,600)	(25,800)	(21,800)
Other	-	-	-
Net change in total OPEB liability	<u>5,677</u>	<u>1,206</u>	<u>50,748</u>
Total OPEB liability, beginning of year	<u>527,148</u>	<u>525,942</u>	<u>475,194</u>
Total OPEB liability, ending of year	<u><u>\$ 532,825</u></u>	<u><u>\$ 527,148</u></u>	<u><u>\$ 525,942</u></u>
Plan Fiduciary Net Position			
Contributions-employer	\$ -	\$ -	\$ -
Contributions-employee	-	-	-
Net investment income	-	-	-
Benefit payments including employee refunds	-	-	-
Administrative expense	-	-	-
Other	-	-	-
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position, ending of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Employer net OPEB liability	<u><u>\$ 532,825</u></u>	<u><u>\$ 527,148</u></u>	<u><u>\$ 525,942</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%
Covered employee payroll	\$ 190,578	\$ 190,578	\$ 179,974
Employer's net OPEB liability as a percentage of covered employee payroll	280%	277%	292%

Note to schedule:

Above data is based on a June 30 measurement date.

CITY OF BELDING

DEFINED BENEFIT OPEB PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2020

Fiscal Year end	Actuarially determined contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
6/30/2018	\$ 35,705	\$ 21,800	\$ 13,905	\$ 179,974	12%
6/30/2019	19,558	25,800	(6,242)	190,578	14%
6/30/2020	35,876	28,600	7,276	109,408	26%

Notes to schedule

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	29 years
Asset valuation method	N/A
Inflation	N/A - fixed benefit amount
Salary increases	N/A
Discount rate	2.70%
Retirement age	Varies depending on plan adoption
Mortality	2015 Social Security Life tables

Note to schedule:

The schedule is being accumulated prospectively until 10 years of information is presented

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF BELDING
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current				
General government				
City Council	\$ 9,798	\$ 9,798	\$ 8,791	\$ 1,007
City Manager	118,392	120,802	118,717	2,085
Finance and administration	200,692	209,192	204,036	5,156
City Clerk	115,542	142,542	134,238	8,304
Central municipal activities	220,341	210,341	194,242	16,099
Cemetery	112,752	99,752	91,078	8,674
Contingency	40,000	-	-	-
	<u>817,517</u>	<u>792,427</u>	<u>751,102</u>	<u>41,325</u>
Public safety				
Police Department	909,694	917,794	847,749	70,045
Fire Department	<u>598,375</u>	<u>644,575</u>	<u>616,347</u>	<u>28,228</u>
	<u>1,508,069</u>	<u>1,562,369</u>	<u>1,464,096</u>	<u>98,273</u>
Culture and recreation				
Park maintenance	129,752	165,752	135,570	30,182
Community center	30,554	30,554	28,949	1,605
Planning and community development	27,000	27,000	11,763	15,237
Community promotions	<u>5,400</u>	<u>5,400</u>	<u>4,520</u>	<u>880</u>
	<u>192,706</u>	<u>228,706</u>	<u>180,802</u>	<u>47,904</u>
Total expenditures	<u><u>\$ 2,518,292</u></u>	<u><u>\$ 2,583,502</u></u>	<u><u>\$ 2,396,000</u></u>	<u><u>\$ 187,502</u></u>

CITY OF BELDING

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

JUNE 30, 2020

	<u>Special Revenue</u>			
	<u>Museum</u>	<u>Drug Forfeiture</u>	<u>Parks and Maintenance</u>	<u>Capital Improvements</u>
Assets				
Cash and pooled investments	\$ 102,434	\$ 7,974	\$ 1,374	\$ 201,866
Total assets	<u>\$ 102,434</u>	<u>\$ 7,974</u>	<u>\$ 1,374</u>	<u>\$ 201,866</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Non-Spendable				
Permanent fund corpus	-	-	-	-
Restricted				
Permanent fund spendable	-	-	-	-
Museum	102,434	-	-	-
Law enforcement	-	7,974	-	-
Capital projects	-	-	1,374	201,866
Assigned				
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>102,434</u>	<u>7,974</u>	<u>1,374</u>	<u>201,866</u>
Total liabilities and fund balances	<u>\$ 102,434</u>	<u>\$ 7,974</u>	<u>\$ 1,374</u>	<u>\$ 201,866</u>

<u>Debt Service</u>		<u>Permanent</u>	
<u>Building Authority</u>	<u>Library Debt Service</u>	<u>River Ridge Cemetery</u>	<u>Total</u>
\$ -	\$ 26,343	\$ 160,139	\$ 500,130
<u>\$ -</u>	<u>\$ 26,343</u>	<u>\$ 160,139</u>	<u>\$ 500,130</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	150,640	150,640
-	-	9,499	9,499
-	-	-	102,434
-	-	-	7,974
-	-	-	203,240
-	26,343	-	26,343
-	26,343	160,139	500,130
<u>\$ -</u>	<u>\$ 26,343</u>	<u>\$ 160,139</u>	<u>\$ 500,130</u>

CITY OF BELDING

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Special Revenue</u>			
	<u>Museum</u>	<u>Drug Forfeiture</u>	<u>Parks and Maintenance</u>	<u>Capital Improvements</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 178,316
Intergovernmental revenues				
Charges for services	2,000	-	-	-
Donations	17,284	-	-	-
Miscellaneous	<u>1,299</u>	<u>100</u>	<u>2,148</u>	<u>3,124</u>
			-	
Total revenues	<u>20,583</u>	<u>100</u>	<u>2,148</u>	<u>181,440</u>
Expenditures				
Current				
Culture and recreation	23,088	-	-	-
Debt service				
Principal	-	-	-	49,500
Interest	-	-	-	6,560
Capital outlay	<u>-</u>	<u>-</u>	<u>125,398</u>	<u>-</u>
Total expenditures	<u>23,088</u>	<u>-</u>	<u>125,398</u>	<u>56,060</u>
Revenues over (under) expenditures	<u>(2,505)</u>	<u>100</u>	<u>(123,250)</u>	<u>125,380</u>
Other financing sources (uses)				
Transfers in	-	-	90,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(137,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>(137,000)</u>
Net changes in fund balances	(2,505)	100	(33,250)	(11,620)
Fund balances, beginning of year	<u>104,939</u>	<u>7,874</u>	<u>34,624</u>	<u>213,486</u>
Fund balances, end of year	<u>\$ 102,434</u>	<u>\$ 7,974</u>	<u>\$ 1,374</u>	<u>\$ 201,866</u>

<u>Debt Service</u>		<u>Permanent</u>	
<u>Building Authority</u>	<u>Library Debt Service</u>	<u>River Ridge Cemetery</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 178,316
-	-	-	2,000
-	4,600	-	21,884
-	65	3,500	10,236
-	4,665	3,500	212,436
-	-	-	23,088
75,000	30,000	-	154,500
6,316	61,753	-	74,629
-	-	-	125,398
81,316	91,753	-	377,615
(81,316)	(87,088)	3,500	(165,179)
74,838	85,000	-	249,838
-	-	-	(137,000)
74,838	85,000	-	112,838
(6,478)	(2,088)	3,500	(52,341)
6,478	28,431	156,639	552,471
<u>\$ -</u>	<u>\$ 26,343</u>	<u>\$ 160,139</u>	<u>\$ 500,130</u>

CITY OF BELDING

MUSEUM FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Charges for services	\$ -	\$ -	\$ 2,000	\$ 2,000
Donations	16,100	16,100	17,284	1,184
Miscellaneous	<u>200</u>	<u>200</u>	<u>1,299</u>	<u>1,099</u>
Total revenues	16,300	16,300	20,583	4,283
Expenditures				
Current				
Culture and recreation	<u>16,300</u>	<u>32,000</u>	<u>23,088</u>	<u>8,912</u>
Net changes in fund balance	-	(15,700)	(2,505)	13,195
Fund balance, beginning of year	<u>104,939</u>	<u>104,939</u>	<u>104,939</u>	<u>-</u>
Fund balance, end of year	<u>\$ 104,939</u>	<u>\$ 89,239</u>	<u>\$ 102,434</u>	<u>\$ 13,195</u>

CITY OF BELDING

DRUG FORFEITURE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Miscellaneous	\$ 50	\$ 50	\$ 100	\$ 50
Expenditures				
Current				
Public safety	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Net changes in fund balance	(2,450)	(2,450)	100	2,550
Fund balance, beginning of year	<u>7,874</u>	<u>7,874</u>	<u>7,874</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,424</u>	<u>\$ 5,424</u>	<u>\$ 7,974</u>	<u>\$ 2,550</u>

CITY OF BELDING

PARKS AND MAINTENANCE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Miscellaneous	\$ 100	\$ 100	\$ 2,148	\$ 2,048
Expenditures				
Capital outlay	<u>48,548</u>	<u>138,548</u>	<u>125,398</u>	<u>13,150</u>
Revenues over (under) expenditures	(48,448)	(138,448)	(123,250)	15,198
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
Net changes in fund balance	(48,448)	(48,448)	(33,250)	15,198
Fund balance, beginning of year	<u>34,624</u>	<u>34,624</u>	<u>34,624</u>	<u>-</u>
Fund balance, end of year	<u>\$ (13,824)</u>	<u>\$ (13,824)</u>	<u>\$ 1,374</u>	<u>\$ 15,198</u>

CITY OF BELDING

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>Internal Service</u>	<u>Buildings and Grounds Maintenance</u>	<u>Motor Pool</u>	<u>Insurance</u>	<u>Total</u>
Assets					
Current assets					
Cash and pooled investments	\$ 122,249	\$ 177,487	\$ 392,396	\$ 201,606	\$ 893,738
Capital assets					
Buildings and equipment	77,884	294,663	53,778	-	426,325
Vehicles	-	-	1,802,219	-	1,802,219
Less accumulated depreciation	(39,735)	(165,680)	(1,407,386)	-	(1,612,801)
Net capital assets	38,149	128,983	448,611	-	615,743
Total assets	160,398	306,470	841,007	201,606	1,509,481
Liabilities					
Current liabilities					
Accounts payable	542	3,509	166	60	4,277
Accrued liabilities	-	-	2,543	-	2,543
Total current liabilities	542	3,509	2,709	60	6,820
Long-term liabilities					
Compensated absences	-	-	3,177	-	3,177
Total liabilities	542	3,509	5,886	60	9,997
Net position					
Net investment in capital assets	38,149	128,983	448,611	-	615,743
Unrestricted	121,707	173,978	386,510	201,546	883,741
Total net position	\$ 159,856	\$ 302,961	\$ 835,121	\$ 201,546	\$ 1,499,484

CITY OF BELDING

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Internal Service</u>	<u>Buildings and Grounds Maintenance</u>	<u>Motor Pool</u>	<u>Insurance</u>	<u>Total</u>
Operating revenue					
Charges for services	\$ 275,484	\$ 110,016	\$ 576,785	\$ 516,960	\$ 1,479,245
Total operating revenue	<u>275,484</u>	<u>110,016</u>	<u>576,785</u>	<u>516,960</u>	<u>1,479,245</u>
Operating expense					
Personnel services	-	-	59,769	-	59,769
Contractual services	240,838	-	28,383	494,012	763,233
Benefits	-	-	35,400	-	35,400
Materials and supplies	11,655	-	60,338	-	71,993
Utilities	8,113	39,730	18,165	-	66,008
Repair and maintenance	-	43,236	148,406	-	191,642
Depreciation	8,960	22,129	140,756	-	171,845
Miscellaneous	6,969	-	519	-	7,488
Total operating expense	<u>276,535</u>	<u>105,095</u>	<u>491,736</u>	<u>494,012</u>	<u>1,367,378</u>
Operating income (loss)	(1,051)	4,921	85,049	22,948	111,867
Non-operating revenue (expense)					
Interest income	160	2,136	3,728	-	6,024
Income (loss) before transfers	<u>(891)</u>	<u>7,057</u>	<u>88,777</u>	<u>22,948</u>	<u>117,891</u>
Transfers					
Transfers in	50,000	-	-	-	50,000
Changes in net position	49,109	7,057	88,777	22,948	167,891
Net position, beginning of year	<u>110,747</u>	<u>295,904</u>	<u>746,344</u>	<u>178,598</u>	<u>1,331,593</u>
Net position, end of year	<u>\$ 159,856</u>	<u>\$ 302,961</u>	<u>\$ 835,121</u>	<u>\$ 201,546</u>	<u>\$ 1,499,484</u>

CITY OF BELDING
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Internal Service</u>	<u>Buildings and Grounds Maintenance</u>	<u>Motor Pool</u>	<u>Insurance</u>	<u>Total</u>
Cash flows from operating activities					
Receipts from internal services provided	\$ 275,484	\$ 110,016	\$ 576,785	\$ 517,308	\$ 1,479,593
Payments to employees	-	-	(95,751)	-	(95,751)
Payments to suppliers	(267,795)	(81,292)	(258,574)	(494,027)	(1,101,688)
Net cash provided by (used in) operating activities	<u>7,689</u>	<u>28,724</u>	<u>222,460</u>	<u>23,281</u>	<u>282,154</u>
Cash flows from non-capital financing activities					
Transfers in	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Cash flows from capital and related financing activities					
Acquisitions of capital assets	<u>(16,009)</u>	<u>-</u>	<u>(166,328)</u>	<u>-</u>	<u>(182,337)</u>
Cash flows from investing activities					
Interest income	<u>160</u>	<u>2,137</u>	<u>3,728</u>	<u>-</u>	<u>6,025</u>
Net increase (decrease) in cash and pooled investments	41,840	30,861	59,860	23,281	155,842
Cash and pooled investments, beginning of year	<u>80,409</u>	<u>146,626</u>	<u>332,536</u>	<u>178,325</u>	<u>737,896</u>
Cash and pooled investments, end of year	<u>\$ 122,249</u>	<u>\$ 177,487</u>	<u>\$ 392,396</u>	<u>\$ 201,606</u>	<u>\$ 893,738</u>
Cash flows from operating activities					
Operating income (loss)	\$ (1,051)	\$ 4,921	\$ 85,049	\$ 22,948	\$ 111,867
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	8,960	22,129	140,756	-	171,845
Change in operating assets and liabilities which provided (used) cash					
Accounts receivable	-	-	-	348	348
Accounts payable	(220)	1,674	(2,763)	(15)	(1,324)
Accrued liabilities	-	-	320	-	320
Compensated absences	-	-	(902)	-	(902)
Net cash provided by (used in) operating activities	<u>\$ 7,689</u>	<u>\$ 28,724</u>	<u>\$ 222,460</u>	<u>\$ 23,281</u>	<u>\$ 282,154</u>

CITY OF BELDING
AGENCY FUND
COMBINING STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2020

	<u>Tax Collection</u>	<u>Housing Commission Payroll</u>	<u>Trust & Agency</u>	<u>Payroll Clearing</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 4,114	\$ -	\$ 12,746	\$ 2,240	\$ 19,100
Due from other governments	<u>-</u>	<u>12,973</u>	<u>-</u>	<u>-</u>	<u>12,973</u>
Total assets	<u>\$ 4,114</u>	<u>\$ 12,973</u>	<u>\$ 12,746</u>	<u>\$ 2,240</u>	<u>\$ 32,073</u>
Liabilities					
Accounts payable	\$ 4,114	\$ -	\$ 12,746	\$ 2,240	\$ 19,100
Other liabilities	<u>-</u>	<u>12,973</u>	<u>-</u>	<u>-</u>	<u>12,973</u>
Total liabilities	<u>\$ 4,114</u>	<u>\$ 12,973</u>	<u>\$ 12,746</u>	<u>\$ 2,240</u>	<u>\$ 32,073</u>

CITY OF BELDING

DOWNTOWN DEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>Governmental Fund Type</u>		<u>Statement of Net Position</u>
	<u>General Fund</u>	<u>Adjustments</u>	
Assets			
Cash and pooled investments	\$ 29,370	\$ -	\$ 29,370
Liabilities and fund balances			
Liabilities			
Accounts payable and accrued liabilities	\$ -	-	-
Fund balances			
Unassigned	29,370	(29,370)	-
Total liabilities and fund balances	<u>\$ 29,370</u>		
Net position			
Unrestricted		<u>\$ 29,370</u>	<u>\$ 29,370</u>

CITY OF BELDING

DOWNTOWN DEVELOPMENT AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Fund Type		Statement of Activities
	<u>General Fund</u>	<u>Adjustments</u>	<u>Activities</u>
Revenues			
Taxes	\$ 18,214	\$ -	\$ 18,214
Miscellaneous	<u>420</u>	<u>-</u>	<u>420</u>
Total revenues	18,634	-	18,634
Expenditures/expenses			
Current			
General government	<u>10,600</u>	<u>-</u>	<u>10,600</u>
Revenues over (under) expenditures/expenses	<u>8,034</u>	<u>-</u>	<u>8,034</u>
Net changes in fund balances	8,034	(8,034)	
Change in net position		(8,034)	8,034
Fund balances/net position, beginning of year	<u>21,336</u>		<u>21,336</u>
Fund balances/net position, end of year	<u><u>\$ 29,370</u></u>		<u><u>\$ 29,370</u></u>

DIAL-A-RIDE TRANSIT SCHEDULES

CITY OF BELDING

DIAL-A-RIDE TRANSIT FUND SCHEDULE OF LOCAL REVENUES (1)

FOR THE YEAR ENDED JUNE 30, 2020

	<u>7/1/19 to 9/30/2019</u>	<u>10/1/19 to 6/30/2020</u>	<u>Total</u>
Demand response (farebox)			
Regular service	\$ 10,368	\$ 21,540	\$ 31,908
Contracted fares - Ionia County Job Access	-	50,198	50,198
Package delivery	-	128	128
Interest revenue	256	708	964
Contributions	-	-	-
Transfer from general fund	<u>20,000</u>	<u>80,000</u>	<u>100,000</u>
Total local revenues	<u>\$ 30,624</u>	<u>\$ 152,574</u>	<u>\$ 183,198</u>

DIAL-A-RIDE TRANSIT FUND SCHEDULE OF LOCAL REVENUES (1A)

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>10/1/18 to 6/30/2019</u>	<u>7/1/19 to 9/30/2019</u>	<u>Total</u>
Local revenue			
Demand response (farebox)			
Regular service	\$ 33,392	\$ 10,368	\$ 43,760
Contracted fares - Ionia County Job Access	44,510	-	44,510
Package delivery	-	-	-
Interest revenue	646	256	902
Contributions	1,000	-	1,000
Transfer from general fund	<u>80,000</u>	<u>20,000</u>	<u>100,000</u>
Total local revenues	<u>\$ 159,548</u>	<u>\$ 30,624</u>	<u>\$ 190,172</u>

CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS (2)
FOR THE YEAR ENDED JUNE 30, 2020

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant No. Authorization Number	Program Award Amount	Current year expenditures				Prior Year's Expended	Award Amount Remaining
				Total	Federal	State	Local		
U.S. Department of Transportation									
Passed through Michigan Department of Transportation									
Formula Grants for Rural Areas									
Operating assistance - section 5311 - 2013-2014	20.509	12-0044/P4/R1	\$ 40,838	\$ -	\$ -	\$ -	\$ -	\$ 36,870	\$ 3,968
Operating assistance - section 5311 - 2014-2015	20.509	12-0044/P5/R1	47,099	-	-	-	-	37,969	9,130
Operating assistance - section 5311 - 2015-2016	20.509	12-0044/P6/R1	46,976	-	-	-	-	29,240	17,736
Operating assistance - section 5311 - 2016-2017 (receipt - reconciled)	20.509	17-0019/P1	10,885	843	843	-	-	10,885	(843)
Operating assistance - section 5311 - 2016-2017	20.509	17-0019/P1/R1	29,428	-	-	-	-	29,428	-
Operating assistance - section 5311 - 2017-2018 (receipts)	20.509	17-0019/P2	12,700	-	-	-	-	12,700	-
Operating assistance - section 5311 - 2017-2018	20.509	17-0019/P2/R1	23,123	-	-	-	-	23,123	-
Operating assistance - section 5311 - 2017-2018 (receipts)	20.509	17-0019/P2/R1	5,233	-	-	-	-	4,628	605
Operating assistance - section 5311 - 2018-2019 (prior year accrual)	20.509	17-0019/P5	42,881	(37,619)	(37,619)	-	-	37,619	42,881
Operating assistance - section 5311 - 2018-2019 (receipts)	20.509	17-0019/P5	-	41,792	41,792	-	-	-	(41,792)
Operating assistance - section 5311 - 2019-2020 accrual	20.509	17-0019/P6/R1	49,892	32,611	32,611	-	-	-	17,281
Capital grant - section 5311 - ARRA capital grant	20.509	07-0173/Z9	8,000	-	-	-	-	6,727	1,273
			317,055	37,627	37,627	-	-	229,189	50,239
Federal Transit - Capital Grants									
Capital grant - section 5309 - FY 2010 earmarks	20.500	07-0173/Z8	75,750	-	-	-	-	66,948	8,802
Capital grant - section 5309 - bus grant (80/20)	20.500	07-0173/Z12	69,476	-	-	-	-	62,235	7,241
Capital grant - section 5309 - bus grant (80/20)	20.500	12-0044/P3	76,123	-	-	-	-	57,018	19,105
Capital grant - section 5310 - bus grant (80/20) (receipts)	20.513	17-0019/P4	152,782	146,676	117,341	29,335	-	-	6,106
Capital grant - section 5310 - bus grant (80/20) (accrual)	20.513	17-0019/P4	-	2,577	2,062	515	-	-	(2,577)
Capital grant - section 5309 - bus grant (80/20)	20.509	17-0019/P3/R1	140,000	-	-	-	-	-	140,000
			514,131	149,253	119,403	29,850	-	186,201	178,677
Total U.S. Department of Transportation			831,186	186,880	157,030	29,850	-	415,390	228,916
Michigan Department of Transportation									
Operating Assistance - Act 51 (final settlement)	N/A	FY15	-	-	-	-	-	-	-
Operating Assistance - Act 51 (preliminary settlement)	N/A	FY17	-	-	-	-	-	-	-
Operating Assistance - Act 51	N/A	FY18	-	-	-	-	-	-	-
Operating Assistance - Act 51	N/A	FY19	23,646	23,646	-	23,646	-	-	-
Operating Assistance - Act 51	N/A	FY20	73,240	73,240	-	73,240	-	-	-
RTAP (prior year accrual)			(646)	(646)	-	(646)	-	-	-
RTAP (receipts)			646	646	-	646	-	-	-
Total Michigan Department of Transportation			96,886	96,886	-	96,886	-	-	-
Total			\$ 928,072	\$ 283,766	\$ 157,030	\$ 126,736	\$ -	\$ 415,390	\$ 228,916

CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF STATE AND FEDERAL AWARDS (2A)
FOR THE YEAR ENDED JUNE 30, 2020

	<u>7/1/19 to 9/30/2019</u>	<u>10/1/19 to 6/30/2020</u>	<u>Total</u>
Michigan Department of Transportation			
Capital grant - section 5310 - bus grant (80/20) (receipts)	\$ -	\$ 29,335	\$ 29,335
Capital grant - section 5310 - bus grant (80/20) (accrual)	-	515	515
Formula operating assistance (Act 51) - FY19 (receipts)	23,646	-	23,646
Formula operating assistance (Act 51) - FY20 (receipts)	-	73,240	73,240
RTAP (prior year accrual)	(646)	-	(646)
RTAP (receipt)	646	-	646
Total Michigan Department of Transportation	<u>23,646</u>	<u>103,090</u>	<u>126,736</u>
Federal grants			
Capital grant - section 5310 - bus grant (80/20) (receipts)	-	117,341	117,341
Capital grant - section 5310 - bus grant (80/20) (accrual)	-	2,062	2,062
Section 5311 grant 17-0019/P1 - (receipt reconciled)	-	843	843
Section 5311 grant 17-0019/P5 - (prior year accrual)	-	(37,619)	(37,619)
Section 5311 grant 17-0019/P5 - (receipt)	-	41,792	41,792
Section 5311 grant 17-0019/P6 - (accrual)	-	32,611	32,611
Total federal grants	<u>-</u>	<u>157,030</u>	<u>157,030</u>
Total	<u>\$ 23,646</u>	<u>\$ 260,120</u>	<u>\$ 283,766</u>

DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF STATE AND FEDERAL AWARDS (2B and 4R)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>10/1/18 to 6/30/2019</u>	<u>7/1/19 to 9/30/2019</u>	<u>Total</u>
Michigan Department of Transportation			
Formula operating assistance (Act 51) - FY17 (receipts preliminary settlement)	\$ 1,978	\$ -	1,978
Formula operating assistance (Act 51) - FY19 (receipts)	-	23,646	23,646
Formula operating assistance (Act 51) - FY19 (receipts)	70,947	-	70,947
RTAP (accrued in prior year)	646	(646)	-
RTAP (receipt)	-	646	646
Total Michigan Department of Transportation	<u>73,571</u>	<u>23,646</u>	<u>97,217</u>
Federal grants			
Section 5311 grant 17-0019/P1 - (prior year accrual)	(4,182)	-	(4,182)
Section 5311 grant 17-0019/P2 - (receipt)	4,182	-	4,182
Section 5311 grant 17-0019/P2/R1 - (prior year accrual)	(23,123)	-	(23,123)
Section 5311 grant 17-0019/P2/R1- (receipts)	23,123	-	23,123
Section 5311 grant 17-0019/P2/R1- (receipts)	4,628	-	4,628
Section 5311 grant 17-0019/P5 - (accrual)	37,619	-	37,619
Total federal grants	<u>42,247</u>	<u>-</u>	<u>42,247</u>
Total	<u>\$ 115,818</u>	<u>\$ 23,646</u>	<u>\$ 139,464</u>

CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF OPERATING AND CONTRACT EXPENSES (3)
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Regular service</u>				
	<u>17-0019/P5</u>	<u>17-0019/P6R2</u>		<u>Package</u>	<u>Total</u>
	<u>FY 2019</u>	<u>FY 2020</u>	<u>JARC</u>	<u>Delivery</u>	<u>System</u>
Operating expenses					
Labor					
Salaries and wages	\$ 22,434	\$ 71,113	\$ -	\$ -	\$ 93,547
JARC contract	-	-	50,198	-	50,198
Package delivery	-	-	-	128	128
Fringe benefits	11,409	34,957	-	-	46,366
Services					
Other services	5,946	20,045	-	-	25,991
Materials and supplies					
Fuel	7,221	15,320	-	-	22,541
Other materials and supplies	5,902	11,160	-	-	17,062
Casualty and liability costs					
Insurance	1,103	1,103	-	-	2,206
Utilities	1,916	14,558	-	-	16,474
Miscellaneous					
Other	-	826	-	-	826
Depreciation	<u>6,713</u>	<u>30,088</u>	<u>-</u>	<u>-</u>	<u>36,801</u>
Total operating expenses	\$ 62,644	\$ 199,170	\$ 50,198	\$ 128	\$ 312,140

The following cost allocation plans were adhered to in the preparation of the financial statements:

2018 Package delivery
1997 Administrative Cost allocation
2008 JARC

There are no capital items purchased with capital grants included in operating expenses above.

Pension expenses are included in fringe benefits above and include only amounts actually paid in to the City's defined contribution pension plan and deferred compensation plan. Pension expenses are calculated in accordance with City employment agreements. The Dial-A-Ride did not incur nor pay any other post-employment retirement benefits.

CITY OF BELDING

DIAL-A-RIDE TRANSIT FUND SCHEDULE OF OPERATING EXPENSE SPLIT BETWEEN A JUNE 30 AND SEPTEMBER 30 YEAR END (3A)

FOR THE YEAR ENDED JUNE 30, 2020

	<u>7/1/19 to</u> <u>9/30/2019</u>	<u>10/1/19 to</u> <u>6/30/2020</u>	<u>Total</u>
Expenses			
Labor	\$ 22,434	\$ 71,113	\$ 93,547
Fringe benefits	11,409	34,957	46,366
Service	5,946	20,045	25,991
Materials and supplies	13,123	26,480	39,603
Casualty and liability costs	1,103	1,103	2,206
Utilities	1,916	14,558	16,474
Miscellaneous	-	826	826
Depreciation	<u>6,713</u>	<u>30,088</u>	<u>36,801</u>
Total regular service expenses	62,644	199,170	261,814
Package delivery	-	128	128
Job Access contract	<u>10,692</u>	<u>39,506</u>	<u>50,198</u>
Total expenses	\$ 73,336	\$ 238,804	\$ 312,140

DIAL-A-RIDE TRANSIT FUND SCHEDULE OF OPERATING EXPENSE SPLIT BETWEEN A JUNE 30 AND SEPTEMBER 30 YEAR END (3B)

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>10/1/18 to</u> <u>6/30/2019</u>	<u>7/1/19 to</u> <u>9/30/2019</u>	<u>Total</u>
Expenses			
Labor	\$ 88,838	\$ 22,434	\$ 111,272
Fringe benefits	40,875	11,409	52,284
Service	17,240	5,946	23,186
Materials and supplies	37,965	13,123	51,088
Casualty and liability costs	3,309	1,103	4,412
Utilities	17,035	1,916	18,951
Miscellaneous	1,132	-	1,132
Depreciation	<u>17,900</u>	<u>6,713</u>	<u>24,613</u>
Total regular service expenses	224,294	62,644	286,938
Package delivery	142	-	142
Job Access contract	<u>28,674</u>	<u>10,692</u>	<u>39,366</u>
Total expenses	\$ 253,110	\$ 73,336	\$ 326,446

CITY OF BELDING

DIAL-A-RIDE TRANSIT FUND SCHEDULE OF NONURBAN REGULAR SERVICE EXPENSES 4E

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Operating expenses				
Labor				
Salaries and wages	\$ 90,383	\$ -	\$ 20,889	\$ 111,272
Fringe benefits	17,208	-	6,508	23,716
Services				
Other services	24,294	5,405	27,628	57,327
Materials and supplies				
Fuel	25,897	-	-	25,897
Other materials and supplies	15,671	1,383	2,564	19,618
Casualty and liability costs				
Insurance	3,676	-	736	4,412
Utilities	18,951	-	-	18,951
Miscellaneous				
Travel, meetings and training	-	-	1,132	1,132
Other	-	-	-	-
Depreciation	<u>24,613</u>	<u>-</u>	<u>-</u>	<u>24,613</u>
Total operating expenses	<u>\$ 220,693</u>	<u>\$ 6,788</u>	<u>\$ 59,457</u>	<u>286,938</u>
Ineligible expenses				
Ineligible depreciation	\$ 24,113	\$ -	\$ -	24,113
Ineligible portion of association dues	<u>142</u>	<u>-</u>	<u>-</u>	<u>142</u>
Total ineligible expenses	<u>\$ 24,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>24,255</u>
Total eligible expenses				<u>\$ 262,683</u>

The eligible depreciation of \$500 includes the depreciation of assets purchased with local funds where the useful life of the asset purchased has been approved by OPT.

CITY OF BELDING

DIAL-A-RIDE TRANSIT FUND OPERATING ASSISTANCE CALCULATION 5

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Nonurban</u>
State eligible expenses	
Labor	\$ 111,272
Fringe benefits	52,284
Service	23,186
Materials and supplies	51,088
Casualty and liability costs	4,412
Utilities	18,951
Miscellaneous	1,132
Depreciation	<u>24,613</u>
Total expenses B54	<u>286,938</u>
Less ineligible expenses	
Depreciation	24,113
Association dues	-
Federal grants - RTAP	<u>646</u>
Total ineligible expenses	<u>24,759</u>
State eligible expenses	<u>\$ 262,179</u>
 State operating assistance - 38.1712	 <u>\$ 100,077</u>
Federal eligible expenses	
State eligible expenses	\$ 262,179
Less additional federal ineligible expenses	
Audit costs	<u>2,750</u>
Federal eligible expenses	<u>\$ 259,429</u>
Section 5311 reimbursement - 18%	<u>\$ 46,697</u>

Expenses associated with 406xx and 407xx revenues are subtracted out as ineligible expenses when required by Michigan Department of Transportation guidance.

CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF NONFINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Miles</u>		<u>Hours</u>	
	<u>Regular</u>	<u>JARC</u>	<u>Regular</u>	<u>JARC</u>
Demand response				
Fourth quarter (7/1/19 to 9/30/19)	12,103	4,224	1,201	198
First quarter (10/1/19 to 12/31/19)	15,185	3,904	1,163	183
Second quarter (1/1/20 to 3/31/20)	14,444	4,096	1,533	192
Third quarter (4/1/20 to 6/30/20)	<u>(4,096)</u>	<u>4,096</u>	<u>(192)</u>	<u>192</u>
Total	<u>37,636</u>	<u>16,320</u>	<u>3,705</u>	<u>765</u>

DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF NONFINANCIAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Miles</u>		<u>Hours</u>	
	<u>Regular</u>	<u>JARC</u>	<u>Regular</u>	<u>JARC</u>
Demand response				
First quarter (10/1/18 to 12/31/18)	12,973	3,456	1,184	162
Second quarter (1/1/19 to 3/31/19)	14,401	3,776	1,211	177
Third quarter (4/1/19 to 6/30/19)	13,776	3,896	1,196	192
Fourth quarter (7/1/19 to 9/30/19)	<u>12,103</u>	<u>3,776</u>	<u>-</u>	<u>198</u>
Total	<u>53,253</u>	<u>14,904</u>	<u>3,591</u>	<u>729</u>

The methodology used for compiling miles and other nonfinancial data information has been reviewed and the methodology has not been found to be adequate and reliable. The above amounts have been segregated between regular service and JARC.

CONTROL AND COMPLIANCE



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

November 10, 2020

Honorable Mayor and Members of the City Council
City of Belding, 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 Belding, Michigan, (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 determination of financial statement amounts. 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 results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vredexeld Haefner LLC