

City of Houghton, Michigan

BASIC FINANCIAL STATEMENTS

June 30, 2021

CITY OF HOUGHTON, MICHIGAN

ORGANIZATION

MEMBERS OF THE CITY COMMISSION

MAYOR	ROBERT BACKON
MAYOR PRO-TEM	ROBERT X. MEGOWEN
COUNCIL MEMBER	JOAN SUITS
COUNCIL MEMBER	MIKE NEEDHAM
COUNCIL MEMBER	JAN COLE
COUNCIL MEMBER	BRIAN IRIZARRY

APPOINTED OFFICERS

CITY MANAGER	ERIC WAARA
TREASURER/CHIEF FINANCIAL OFFICER	JODI REYNOLDS
CLERK/ ASSISTANT CITY MANAGER	ANN VOLLRATH

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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DIVISION FOR CPA FIRMS

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MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Houghton
Houghton, MI 49931

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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

To the City Council
City of Houghton

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Houghton, Michigan, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employee retirement and benefit systems and budgetary comparison information on pages 4 through 13, pages 54 through 57, and pages 58 through 61 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Houghton, Michigan's basic financial statements. The combining major and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining major and nonmajor fund and component unit financial statements and the schedule of expenditures of federal awards 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 major and nonmajor fund and component unit financial statements and the scheduled of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

To the City Council
City of Houghton

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022 on our consideration of the City of Houghton, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Houghton, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Houghton, Michigan's internal control over financial reporting and compliance.



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

January 31, 2022

Management's Discussion and Analysis

As management of the City of Houghton, Michigan (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, 2021. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year 2021 by \$18,622,525 (*net position*). Of this, \$1,989,346 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$178,054 or 1%.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,535,057, an increase of \$219,101.
- At the end of the current fiscal year, the total fund balance of the General Fund was \$1,877,837, an increase of \$19,252. Unassigned fund balance was \$1,868,098 or 45% of total General Fund expenditures and transfers out.
- The City's total long-term debt (including vested employee benefits excluding pensions, OPEB and leases,) increased by \$1,030,258.

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 five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) other information.

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, deferred outflows, liabilities, and deferred inflows with the difference between them 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 result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

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

The government-wide financial statements include not only the City (known as the *primary government*), but also two legally separate authorities – the Downtown Development Authority and the Tax Increment Finance Authority for which the City is financially accountable. Financial information for these *component units* is reported in the other information to these financial statements.

The government-wide financial statements can be found on pages 14-15 of this report.

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

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

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

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major and Local Streets Fund, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

By May 15th of each year the City adopts an annual appropriated budget for general and special revenue funds for the coming fiscal year, which begins July 1st. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets for the major funds.

The basic governmental fund financial statements can be found on pages 16-18 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer and parking and transit operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its motor pool. Because the service benefits the General, Major and Local Streets, and Water and Sewer Fund functions, the services have been allocated between the governmental and business-type 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 information for the Water and Sewer Fund, Parking and Transit which is considered to be major fund of the City. Data from the other proprietary funds are combined into a single, aggregated presentation.

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 22-23 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-53 of this report.

Required supplementary information. Required supplementary information related to the City's employee retirement and benefit systems and budgetary comparison information related to the City's major governmental funds can be found on pages 54-61 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other information including the combining statements referred to earlier in connection with nonmajor governmental funds which are presented immediately following the required supplementary information. Combining fund statements, Component Units individual financial statements and Transit schedules can be found on pages 62-79 of this report.

Government-wide Financial Statements

A condensed version of the Statement of Net Position at June 30, 2021 follows:

City of Houghton
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current Assets	\$ 4,422,352	\$ 4,500,799	\$ 3,832,464	\$ 4,493,830	\$ 8,254,816	\$ 8,994,629
Capital Assets	9,824,931	11,901,156	18,932,818	16,209,936	28,757,749	28,111,092
Total Assets	14,247,283	16,401,955	22,765,282	20,703,766	37,012,565	37,105,721
Deferred Outflows of Resources	494,612	600,097	200,805	233,814	695,417	833,911
Liabilities						
Current Liabilities	720,172	3,470,717	1,202,701	11,942,500	1,922,873	15,413,217
Noncurrent Liabilities	4,350,474	2,472,104	12,106,347	1,132,136	16,456,821	3,604,240
Total Liabilities	5,070,646	5,942,821	13,309,048	13,074,636	18,379,694	19,017,457
Deferred Inflows of Resources	258,291	268,522	447,472	103,562	705,763	372,084
Net Position						
Net Investment in Capital Assets	6,715,502	8,284,093	7,167,976	6,093,936	13,883,478	14,378,029
Restricted	1,672,394	-	1,077,307	884,655	2,749,701	884,655
Unrestricted	1,025,062	2,506,616	964,284	780,791	1,989,346	3,287,407
Total Net Position	\$ 9,412,958	\$ 10,790,709	\$ 9,209,567	\$ 7,759,382	\$ 18,622,525	\$ 18,550,091

The largest portion of the City's net position \$13,883,478 (75%) reflects its net investment in capital assets (for example land, buildings, vehicles, equipment, and infrastructure); less any related debt used to acquire those assets that are 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 net 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 cannot themselves be used to liquidate these liabilities.

A portion of the City's net position of \$2,749,701 (14%) represents resources that are subject to external restrictions on how they may be used both for the City as a whole, as well as for its separate governmental and business-type activities. The balance in restricted net position reflects the City's Bond Debt reserve. The remaining balance of unrestricted net position of \$1,989,346 (10%) may be used to meet the City's ongoing obligations to citizens and creditors.

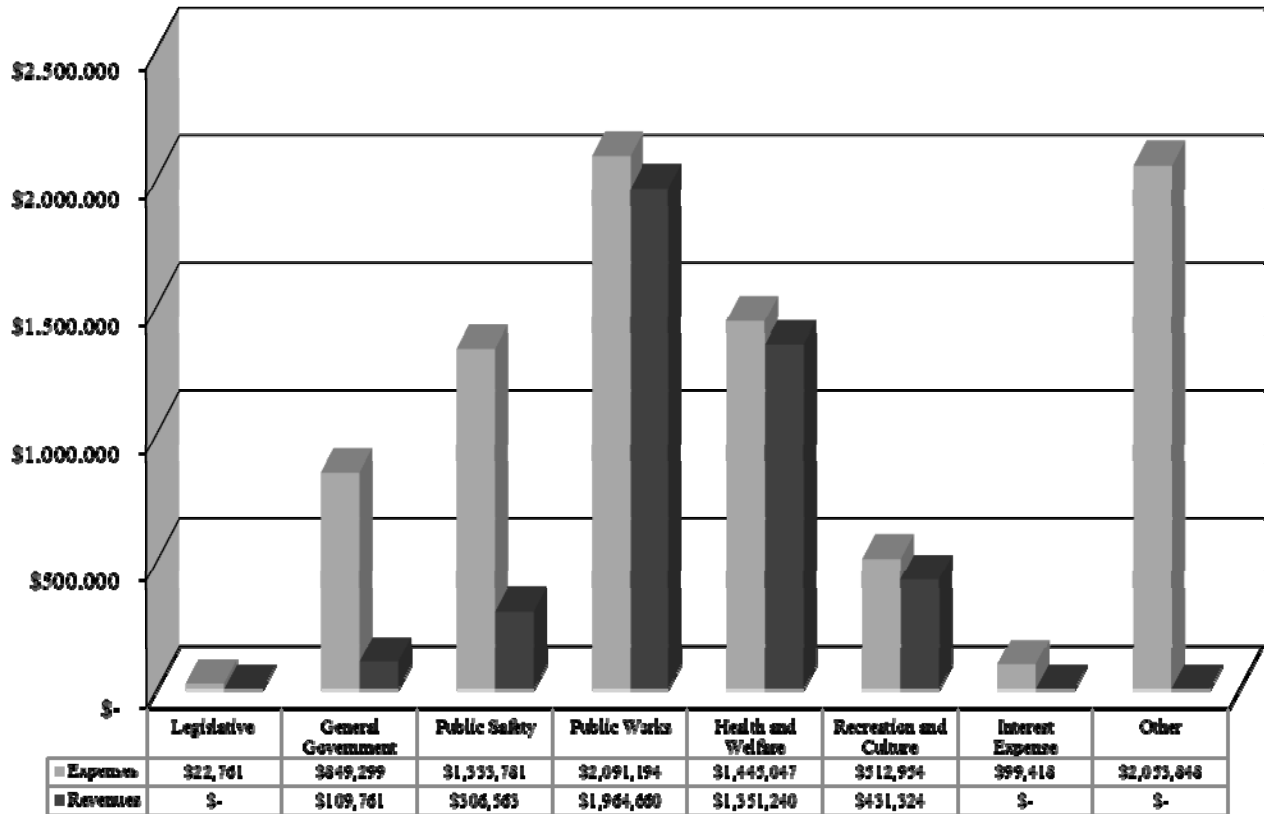
A condensed version of the Statement of Activities follows:

City of Houghton
Condensed Statement of Changes in Net Position

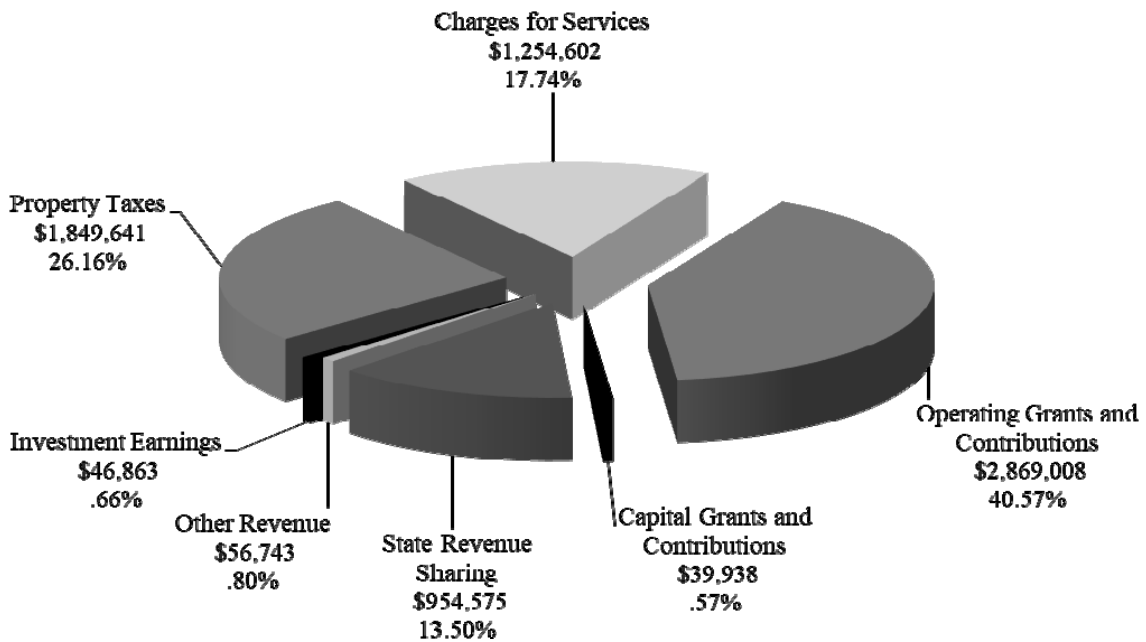
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Charges for Services	\$ 1,254,602	\$ 969,440	\$ 3,262,317	\$ 3,169,002	\$ 4,516,919	\$ 4,138,442
Operating Grants and Contributions	2,869,008	1,980,453	329,540	339,563	3,198,548	2,320,016
Capital Grants and Contributions	39,938	192,861	1,647,340	-	1,687,278	192,861
General Revenues						
Property Taxes	1,849,641	1,897,846	-	-	1,849,641	1,897,846
State Revenue Sharing	954,575	883,238	-	-	954,575	883,238
Other Revenue	56,743	9,918	2,290	-	59,033	9,918
Gain on Sale of Capital Assets	-	30,000	-	-	-	30,000
Investment Earnings	46,863	60,888	11,612	28,996	58,475	89,884
Total Revenues	7,071,370	6,024,644	5,253,099	3,537,561	12,324,469	9,562,205
Expenses						
Legislative	22,761	-	-	-	22,761	-
General Government	849,299	993,255	-	-	849,299	993,255
Public Safety	1,333,781	1,321,786	-	-	1,333,781	1,321,786
Public Works	2,091,194	2,862,399	-	-	2,091,194	2,862,399
Health and Welfare	1,445,047	-	-	-	1,445,047	-
Community Development	-	74,040	-	-	-	74,040
Recreation and Culture	512,954	478,702	-	-	512,954	478,702
Other Expenses	2,053,848	-	-	-	2,053,848	-
Interest Expense	99,418	87,183	-	-	99,418	87,183
Water	-	-	1,219,880	1,089,547	1,219,880	1,089,547
Sewer	-	-	1,996,317	2,095,779	1,996,317	2,095,779
Parking	-	-	257,972	265,902	257,972	265,902
Transit	-	-	620,052	628,252	620,052	628,252
Total Expenses	8,408,302	5,817,365	4,094,221	4,079,480	12,502,523	9,896,845
Changes in Net Position before Transfers	(1,336,932)	207,279	1,158,878	(541,919)	(178,054)	(334,640)
Transfers	(120,000)	(135,000)	120,000	185,000	-	50,000
Changes in Net Position	(1,456,932)	72,279	1,278,878	(356,919)	(178,054)	(284,640)
Net Position - Beginning, as Restated (See Note 13)	10,869,890	10,718,430	7,930,689	8,116,301	18,800,579	18,834,731
Net Position - Ending	\$ 9,412,958	\$ 10,790,709	\$ 9,209,567	\$ 7,759,382	\$ 18,622,525	\$ 18,550,091

Governmental activities. Governmental activities decreased the City’s ending net position by \$1,456,932.

Expenses and Revenues – Governmental Activities

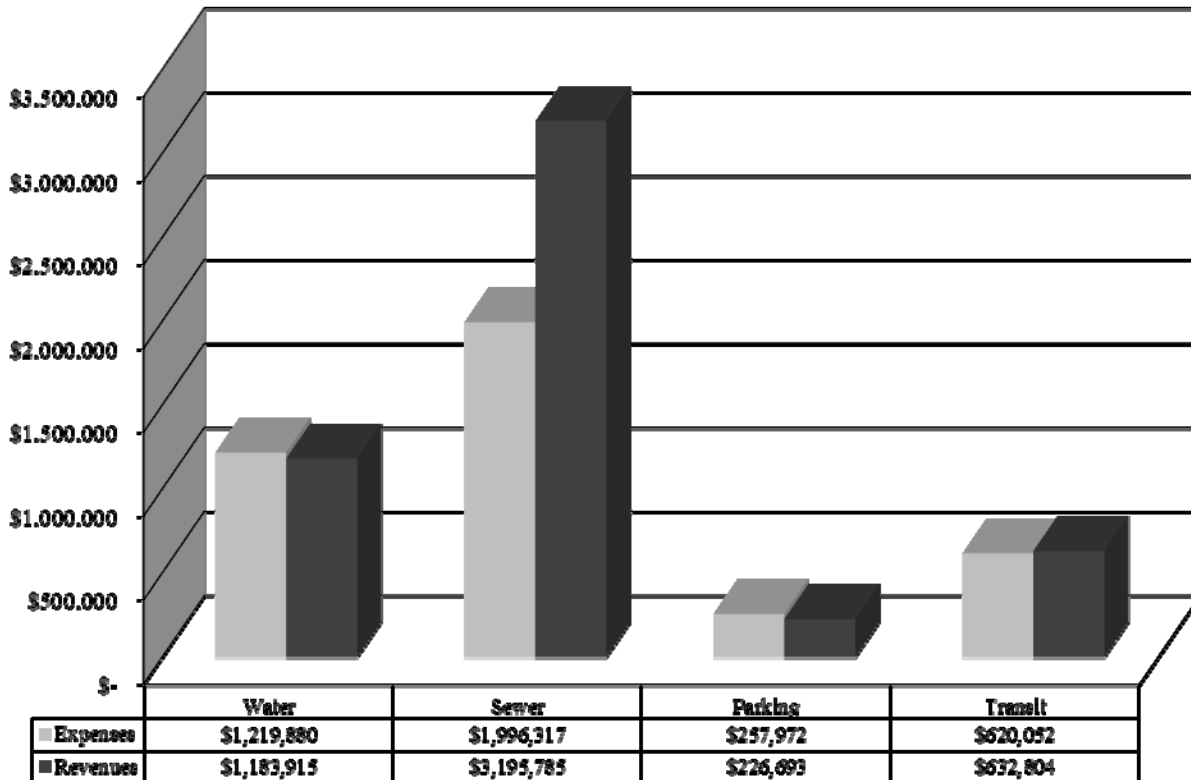


Revenues by Source – Governmental Activities



Business-type activities. Business-type activities increased the ending City’s net position by \$1,278,878

Expenses and Revenues – Business-type Activities



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 government’s net resources available for spending at the end of the fiscal year.

The General Fund is the main operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund was \$1,877,837 of which \$1,868,098 was unassigned. As a measure of the General Fund’s liquidity, it may be useful to compare unassigned fund balance to total fund expenditures, including transfers out.

Proprietary funds. The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water, Sewer, Parking and Transit Funds at the end of the year amounted to \$753,315 and net investment in capital assets, net of related debt amounted to \$7,167,976. The Water and Sewer Funds had a combined increase of \$1,175,125, while the Parking and Transit have a combined increase of \$103,753.

General Fund Budgetary Highlights

During the year, General Fund budget variance of the total expenditures were underspent by \$133,952 when comparing final budget to actual. This was primarily due to less actual expenditures than anticipated for legislative, general government, public safety, public works, and recreation and culture. Debt service and other expenditures were over budget. General Fund revenues were more than anticipated by \$433,415. Further detail on budgetary highlights is found in the required supplementary information section of the audit report.

Capital Asset and Debt Administration

Capital Assets

The City’s net investment in capital assets as of June 30, 2021, amounted to \$28,757,749. This investment in capital assets includes land, land improvements, infrastructure, buildings and improvements, furniture and equipment, vehicles, and construction in progress. The total net increase in the City’s investment in capital assets after depreciation for the current fiscal year was \$646,657. The following table summarizes the capital assets of the City as of year end:

**City of Houghton
Capital Assets
(net of depreciation, where applicable)**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 691,259	\$ 655,759	\$ 77,211	\$ -	\$ 768,470	\$ 655,759
Construction in Progress	-	-	4,684,105	-	4,684,105	-
Investment in Portage Lake Water and Sewer Authority	-	-	-	941,313	-	941,313
Buildings	2,217,199	2,310,543	78,546	85,769	2,295,745	2,396,312
Improvements	1,222,494	1,304,135	45,723	44,938	1,268,217	1,349,073
Equipment	2,040,320	2,016,238	297,745	322,894	2,338,065	2,339,132
Infrastructure	3,653,659	5,614,481	13,749,488	14,815,022	17,403,147	20,429,503
Total Capital Assets, Net	\$ 9,824,931	\$ 11,901,156	\$ 18,932,818	\$ 16,209,936	\$ 28,757,749	\$ 28,111,092

Additional information on the City’s capital assets can be found in Note 4 to the financial statements section of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total long-term debt of \$15,278,500. Of this amount, \$6,084,000 comprises debt backed by the full faith and credit of the government. The remainder of the City’s debt represents loans and bonds secured solely by specified revenue sources (i.e., revenue bonds). The City’s total long-term debt (excluding bond premiums, vested employee benefits, net pension and OPEB obligations) decreased by \$588,563.

The following table summarizes the City’s outstanding debt as of the end of the year:

**City of Houghton
Outstanding Long-Term Debt**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ 1,773,000	\$ 1,876,000	\$ 2,990,000	\$ 3,135,000	\$ 4,763,000	\$ 5,011,000
USDA Revenue Bonds	-	-	9,194,500	9,115,000	9,194,500	9,115,000
General Loan Contracts	975,000	1,300,000	-	-	975,000	1,300,000
Installment Purchase Contracts	-	51,063	-	-	-	51,063
USDA Installment Notes	346,000	390,000	-	-	346,000	390,000
Total Long-Term Debt	\$ 3,094,000	\$ 3,617,063	\$ 12,184,500	\$ 12,250,000	\$ 15,278,500	\$ 15,867,063

Economic Factors and Next Year’s Budgets and Rates

Next year’s budget for existing services will be limited to the maintenance of those services, though that maintenance of infrastructure-dependent services may require capital investment into infrastructure as it does in many years. Property values, based on sales and new construction data within the City, show that both residential and commercial taxable values have increased between 4% and 6% over last year. This continued growth of the tax base is a positive trend, but we must be mindful that the tax base-generated revenue comprises only a portion of the overall budget with state-shared revenue and other service revenues making up the larger part of the overall budget. Inflation may effectively negate some of those gains in value. We must be diligent in seeking new sources of revenue, reinvesting revenues to promote sustained growth, and leveraging those resources to take advantage of opportunities for funding assistance. The City has past success in obtaining grants and will continue to seek grant funds to further improve its community infrastructure and amenities as these have been key in long-term growth.

The 2020 decennial census data showed Houghton’s population grew by over 8% in the last decade. That growth will bring additional shared revenue to the General, Major Street, and Local Street funds when the State recognizes the new data.

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

Request 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:

City of Houghton
Attn: City Clerk
616 Shelden Avenue
Houghton, Michigan 49931

Basic Financial Statements

	Primary Government		Totals	Component Unit
	Governmental Activities	Business-type Activities		
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 3,045,197	\$ 866,980	\$ 3,912,177	\$ 2,146,909
Cash and Equivalents - Restricted	1,685	1,077,307	1,078,992	-
Accounts Receivable	958,391	260,056	1,218,447	142,247
Taxes Receivable	6,763	-	6,763	-
Internal Loans	5,478	(5,478)	-	-
Loans Receivable	220,258	-	220,258	-
Due from Governmental Units	174,841	692,286	867,127	-
Inventories	5,554	-	5,554	-
Prepaid Items	4,185	-	4,185	25,676
Investment in Joint Venture	-	941,313	941,313	-
Capital Assets Not Depreciated	691,259	4,761,316	5,452,575	52,111
Capital Assets (Net of Accumulated Depreciation)	9,133,672	14,171,502	23,305,174	9,253,510
TOTAL ASSETS	14,247,283	22,765,282	37,012,565	11,620,453
DEFERRED OUTFLOWS OF RESOURCES:				
OPEB Items	55,977	21,691	77,668	4,614
Pension Items	438,635	179,114	617,749	38,104
TOTAL DEFERRED OUTFLOW OF RESOURCES	494,612	200,805	695,417	42,718
LIABILITIES:				
Accounts Payable	127,570	653,825	781,395	239,579
Accrued Liabilities	95,547	26,240	121,787	77,552
Accrued Interest Payable	17,692	97,673	115,365	737
Due to Other Governmental Units	1,783	77,543	79,326	372
Deferred Revenues	-	-	-	47,626
Installment Loans - due within one year	46,000	-	46,000	-
Installment Loans - due in more than one year	300,000	-	300,000	-
Bonds Payable - due within one year	431,580	347,420	779,000	-
Bonds Payable - due in more than one year	2,331,849	11,417,422	13,749,271	765,000
Net Pension Liability - due in more than one year	572,732	233,873	806,605	49,755
Net OPEB Liability - due in more than one year	718,594	293,433	1,012,027	82,748
Compensated Absences - due in more than one year	427,299	161,619	588,918	17,844
TOTAL LIABILITIES	5,070,646	13,309,048	18,379,694	1,281,213
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenues	-	342,000	342,000	-
OPEB Items	3,392	1,385	4,777	295
Pension Items	254,899	104,087	358,986	22,143
TOTAL DEFERRED INFLOWS OF RESOURCES	258,291	447,472	705,763	22,438
NET POSITION:				
Net Investment in Capital Assets	6,715,502	7,167,976	13,883,478	9,305,621
Restricted	1,672,394	1,077,307	2,749,701	-
Unrestricted	1,025,062	964,284	1,989,346	1,053,899
TOTAL NET POSITION	\$ 9,412,958	\$ 9,209,567	\$ 18,622,525	\$ 10,359,520

**Statement of Activities
For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 22,761	\$ -	\$ -	\$ -	\$ (22,761)	\$ -	\$ (22,761)	\$ -
General Government	849,299	47,554	62,207	-	(739,538)	-	(739,538)	-
Public Safety	1,333,781	47,172	259,391	-	(1,027,218)	-	(1,027,218)	-
Public Works	2,091,194	425,330	1,499,392	39,938	(126,534)	-	(126,534)	-
Health and Welfare	1,445,047	303,222	1,048,018	-	(93,807)	-	(93,807)	-
Recreation and Culture	512,954	431,324	-	-	(81,630)	-	(81,630)	-
Other Expenses	2,053,848	-	-	-	(2,053,848)	-	(2,053,848)	-
Interest Expense	99,418	-	-	-	(99,418)	-	(99,418)	-
Total Governmental Activities	8,408,302	1,254,602	2,869,008	39,938	(4,244,754)	-	(4,244,754)	-
Business-type activities:								
Water	1,219,880	1,183,915	-	-	-	(35,965)	(35,965)	-
Sewer	1,996,317	1,765,785	-	1,430,000	-	1,199,468	1,199,468	-
Parking	257,972	226,693	-	-	-	(31,279)	(31,279)	-
Transit	620,052	85,924	329,540	217,340	-	12,752	12,752	-
Total Business-type Activities	4,094,221	3,262,317	329,540	1,647,340	-	1,144,976	1,144,976	-
Total Primary Government	\$ 12,502,523	\$ 4,516,919	\$ 3,198,548	\$ 1,687,278	(4,244,754)	1,144,976	(3,099,778)	-
Component Units:								
Public Works:								
Houghton Housing Commission	\$ 988,808	297,364.00	111,639.00	111,351.00	-	-	-	(468,454)
Economic Development:								
TIFA	939,484	-	-	591,205.00	-	-	-	(348,279)
Economic Development:								
Downtown Development Authority	304,371	3,378.00	-	-	-	-	-	(300,993)
Total Component Units	2,232,663	300,742	111,639	702,556	-	-	-	(1,117,726)
Total	\$ 14,735,186	\$ 4,817,661	\$ 3,310,187	\$ 2,389,834	-	-	-	-
General Revenues and Transfers:								
Taxes	-	-	-	-	1,849,641	-	1,849,641	885,053
State Revenue Sharing	-	-	-	-	954,575	-	954,575	-
Investment Earnings	-	-	-	-	46,863	11,612	58,475	8,863
Other Revenue	-	-	-	-	56,743	2,290	59,033	400,811
Transfers	-	-	-	-	(120,000)	120,000	-	-
Total General Revenues and Transfers	-	-	-	-	2,787,822	133,902	2,921,724	1,294,727
Change in Net Position	-	-	-	-	(1,456,932)	1,278,878	(178,054)	177,001
Net Position - Beginning (As Restated See Note 13)	-	-	-	-	10,869,890	7,930,689	18,800,579	10,182,519
Net Position - Ending	-	-	-	-	\$ 9,412,958	\$ 9,209,567	\$ 18,622,525	\$ 10,359,520

City of Houghton, Michigan

Balance Sheet Governmental Funds June 30, 2021

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Equivalents - Unrestricted	\$ 963,340	\$ 774,452	\$ 633,916	\$ 225,855	\$ 2,597,563
Cash and Equivalents - Restricted	1,282	-	-	403	1,685
Accounts Receivable	390,759	108,219	41,209	418,204	958,391
Taxes Receivable	6,763	-	-	-	6,763
Loans Receivable	-	-	-	220,258	220,258
Due from Other Funds	464,727	311	10,358	-	475,396
Due from Governmental Units	174,468	-	-	-	174,468
Prepaid Items	4,185	-	-	-	4,185
Inventories	5,554	-	-	-	5,554
	<u>\$ 2,011,078</u>	<u>\$ 882,982</u>	<u>\$ 685,483</u>	<u>\$ 864,720</u>	<u>\$ 4,444,263</u>
LIABILITIES:					
Accounts Payable	\$ 52,102	\$ 5,063	\$ 4,551	\$ 35,807	\$ 97,523
Accrued Liabilities	72,441	7,606	12,355	-	92,402
Due to Other Governmental Units	1,783	-	-	-	1,783
Due to Other Funds	6,915	18,419	7,633	464,273	497,240
	<u>133,241</u>	<u>31,088</u>	<u>24,539</u>	<u>500,080</u>	<u>688,948</u>
DEFERRED INFLOWS OF RESOURCES:					
Loan Sources	-	-	-	220,258	220,258
FUND BALANCES:					
Nonspendable	9,739	-	-	-	9,739
Restricted	-	851,894	660,944	159,556	1,672,394
Unassigned	1,868,098	-	-	(15,174)	1,852,924
	<u>1,877,837</u>	<u>851,894</u>	<u>660,944</u>	<u>144,382</u>	<u>3,535,057</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,011,078</u>	<u>\$ 882,982</u>	<u>\$ 685,483</u>	<u>\$ 864,720</u>	
Reconciliation to amounts reported for governmental activities in the statement of net position:					
Capital assets used by governmental activities					7,923,902
Loans					220,258
Long-term notes and leases payable for governmental activities					(2,780,429)
Compensated absences					(427,299)
Pension items					(370,558)
OPEB					(634,306)
Internal service funds included in governmental activities					1,960,255
Accrued interest expense payable					(13,922)
Net position of governmental activities					<u>\$ 9,412,958</u>

City of Houghton, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2021

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:					
Taxes	\$ 1,759,021	\$ -	\$ 90,620	\$ -	\$ 1,849,641
Licenses and Permits	47,396	-	-	-	47,396
Federal Sources	102,145	-	-	941,200	1,043,345
State Sources	1,286,273	1,051,445	375,640	106,818	2,820,176
Charges for Services	472,067	-	-	-	472,067
Rentals	431,324	-	-	-	431,324
Interest	10,746	5,848	2,380	27,889	46,863
Other Revenue	56,743	-	593	183,700	241,036
TOTAL REVENUES	4,165,715	1,057,293	469,233	1,259,607	6,951,848
EXPENDITURES:					
Legislative	22,761	-	-	-	22,761
General Government	747,484	-	-	-	747,484
Public Safety	1,316,779	-	-	-	1,316,779
Public Works	696,692	703,313	437,924	-	1,837,929
Health and Welfare	-	-	-	1,445,047	1,445,047
Recreation and Cultural	490,941	-	-	-	490,941
Debt Service	547,726	-	51,365	-	599,091
Other Expenditures	178,415	-	-	-	178,415
TOTAL EXPENDITURES	4,000,798	703,313	489,289	1,445,047	6,638,447
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)					
	164,917	353,980	(20,056)	(185,440)	313,401
OTHER FINANCING SOURCES (USES):					
Transfers In	5,700	-	301,365	-	307,065
Transfers Out	(151,365)	(250,000)	-	-	(401,365)
TOTAL OTHER FINANCING SOURCES (USES)	(145,665)	(250,000)	301,365	-	(94,300)
NET CHANGE IN FUND BALANCES	19,252	103,980	281,309	(185,440)	219,101
FUND BALANCE BEGINNING OF YEAR, (As Restated, See Note 13)					
	1,858,585	747,914	379,635	329,822	3,315,956
FUND BALANCE AT END OF YEAR	\$ 1,877,837	\$ 851,894	\$ 660,944	\$ 144,382	\$ 3,535,057

City of Houghton, Michigan

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

Net changes in fund balances - total governmental funds	\$ 219,101
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$362,832) and loss on disposal (\$1,875,433) exceeded capital outlay \$54,450	(2,183,815)
Special assessments receivable are long-term in nature and are collectible over several years. However, only the current receipts are reflected as revenues in the funds.	119,522
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments	496,092
An internal service fund is used by management to charge the costs of certain activities, such as equipment costs, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	(127,050)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:	
Compensated absences	(11,898)
Pension Items	27,535
Accrued interest	3,581
Change in net position of governmental activities	<u>\$ (1,456,932)</u>

	Business-type Activities Enterprise Funds				Totals	Governmental
	Water Supply	Sewer Disposal System	Parking System	Transit		Internal Service Funds
ASSETS:						
Cash and Equivalents - Unrestricted	\$ 95,789	\$ 116,642	\$ 182,639	\$ 260,941	\$ 656,011	\$ 658,603
Cash and Equivalents - Restricted	649,064	428,243	-	-	1,077,307	-
Accounts Receivable	103,820	155,724	-	512	260,056	-
Due from Other Funds	46,342	-	-	-	46,342	27,322
Due from Other Governmental Unit	342,000	267,776	-	82,510	692,286	373
Investment in Joint Venture	-	941,313	-	-	941,313	-
Capital Assets (Not Depreciated)	1,784,940	2,899,165	77,211	-	4,761,316	-
Capital Assets (Net of Accumulated Depreciation)	7,038,797	4,694,528	2,045,411	392,766	14,171,502	1,901,029
TOTAL ASSETS	10,060,752	9,503,391	2,305,261	736,729	22,606,133	2,587,327
DEFERRED OUTFLOWS OF RESOURCES						
OPEB Items	4,964	6,354	1,596	8,777	21,691	2,518
Pension Items	40,991	52,469	13,183	72,471	179,114	20,791
TOTAL DEFERRED OUTFLOWS OF RESOURCES	45,955	58,823	14,779	81,248	200,805	23,309
LIABILITIES:						
Accounts Payable	368,950	197,048	820	87,007	653,825	30,047
Accrued Liabilities	5,594	7,349	860	12,437	26,240	3,145
Accrued Interest Payable	62,009	35,664	-	-	97,673	3,770
Due to Other Fund	2,949	47,973	373	525	51,820	-
Due to Other Governmental Units	-	-	-	77,543	77,543	-
Compensated Absences - due in more than one year	42,144	53,049	6,504	59,922	161,619	-
Net Pension Liability	53,523	68,509	17,213	94,628	233,873	27,147
Net OPEB Liability	67,153	85,956	21,597	118,727	293,433	34,060
Installment Loans - due within one year	-	-	-	-	-	29,000
Installment Loans - due in more than one year	-	-	-	-	-	300,000
Bonds Payable - due within one year	276,920	70,500	-	-	347,420	-
Bonds Payable - due in more than one year	7,718,422	3,699,000	-	-	11,417,422	-
TOTAL LIABILITIES	8,597,664	4,265,048	47,367	450,789	13,360,868	427,169
DEFERRED INFLOWS OF RESOURCES						
Bond Proceeds	342,000	-	-	-	342,000	-
OPEB Items	317	406	102	560	1,385	161
Pension Items	23,821	30,490	7,661	42,115	104,087	12,082
TOTAL DEFERRED INFLOWS OF RESOURCES	366,138	30,896	7,763	42,675	447,472	12,243
NET POSITION:						
Net Investment in Capital Assets	828,395	3,824,193	2,122,622	392,766	7,167,976	1,572,029
Restricted	649,064	428,243	-	-	1,077,307	-
Unrestricted	(334,554)	1,013,834	142,288	(68,253)	753,315	599,195
TOTAL NET POSITION	\$ 1,142,905	\$ 5,266,270	\$ 2,264,910	\$ 324,513	8,998,598	\$ 2,171,224
Reconciliation to amounts reported for business activities in the statement of net position:						
Internal service funds included in business-type activities					210,969	
Net position of business-type activities					\$ 9,209,567	

**Statement of Revenues, Expenses and
Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2021**

	Business-type Activities Enterprise Funds				Totals	Governmental Activities
	Water Supply	Sewer Disposal System	Parking System	Transit		Internal Service Funds
OPERATING REVENUES:						
Charges for Services	\$ 1,181,863	\$ 1,737,709	\$ 171,693	\$ 85,416	\$ 3,176,681	\$ 698,835
Other Revenue	2,052	28,076	55,000	508	85,636	46,986
Total Operating Revenues	1,183,915	1,765,785	226,693	85,924	3,262,317	745,821
OPERATING EXPENSES:						
Personnel	267,866	301,257	69,427	443,602	1,082,152	135,480
Supplies	132,509	32,306	3,381	13,761	181,957	41,464
Contracted Services	89,546	58,983	10,557	8,699	167,785	7,884
Insurance	5,668	4,688	2,220	12,862	25,438	39,163
Utilities	143,851	614	21,545	11,137	177,147	11,541
Fuel	-	-	-	17,515	17,515	131,680
Repairs and Maintenance	17,764	20,795	8,019	44,282	90,860	205,646
Rental	34,264	44,076	38,379	80	116,799	-
Depreciation	265,692	186,201	102,116	64,029	618,038	342,587
City Share of PLWSA Expenses	-	1,250,894	-	-	1,250,894	-
Other Expenses	63,717	5,824	2,328	4,085	75,954	2,322
Total Operating Expenses	1,020,877	1,905,638	257,972	620,052	3,804,539	917,767
OPERATING INCOME (LOSS)	163,038	(139,853)	(31,279)	(534,128)	(542,222)	(171,946)
NON-OPERATING REVENUES (EXPENSES):						
State Sources	-	-	-	150,561	150,561	-
Federal Sources	-	1,430,000	-	178,979	1,608,979	122,600
Interest Income	5,169	4,163	762	1,518	11,612	5,307
Interest Expense	(199,003)	(90,679)	-	-	(289,682)	(9,498)
Loss on Sale of Assets	-	-	-	-	-	(47,813)
Other	2,290	-	-	-	2,290	-
Total Non-operating Revenues (Expenses)	(191,544)	1,343,484	762	331,058	1,483,760	70,596
Income (Loss) Before Transfers	(28,506)	1,203,631	(30,517)	(203,070)	941,538	(101,350)
Transfers						
Capital Grants - State	-	-	-	43,467	43,467	-
Capital Grants - Federal	-	-	-	173,873	173,873	-
Transfers In	-	-	20,000	100,000	120,000	-
Transfers Out	-	-	-	-	-	(25,700)
Total Transfers	-	-	20,000	317,340	337,340	(25,700)
CHANGE IN NET POSITION	(28,506)	1,203,631	(10,517)	114,270	1,278,878	(127,050)
NET POSITION BEINNING OF YEAR, (As Restated See Note 13)	1,171,411	4,062,639	2,275,427	210,243	7,719,720	2,298,274
NET POSITION END OF YEAR	\$ 1,142,905	\$ 5,266,270	\$ 2,264,910	\$ 324,513	\$ 8,998,598	\$ 2,171,224

Statement of Cash Flows
Proprietary Fund Types
For the Year Ended June 30, 2021

	Business-type Activities Enterprise Funds				Totals	Governmental Activities
	Water Supply	Sewer Disposal System	Parking System	Transit		Internal Service Fund
Cash Flows From Operating Activities:						
Receipts from Customers or Users	\$ 2,773,111	\$ 2,007,358	\$ 226,693	\$ 2,901	\$ 5,010,063	\$ 745,907
Cash Payments to Vendors	(137,334)	(1,290,629)	(86,294)	(27,673)	(1,541,930)	(423,289)
Cash Paid to Employees	(253,083)	(291,710)	(79,901)	(415,646)	(1,040,340)	(135,948)
Cash Payments to/from Internal Funds	(115,380)	102,708	(955)	10	(13,617)	10,248
Net Cash Provided (Used) by Operating Activities	<u>2,267,314</u>	<u>527,727</u>	<u>59,543</u>	<u>(440,408)</u>	<u>2,414,176</u>	<u>196,918</u>
Cash Flows From Noncapital and Related Financing Activities:						
State Sources	-	-	-	150,561	150,561	-
Federal Sources	-	1,430,000	-	178,979	1,608,979	122,600
Other Revenue (Expense)	2,290	-	-	-	2,290	(47,813)
Operating Transfers In	-	-	20,000	100,000	120,000	-
Operating Transfers Out	-	-	-	-	-	(25,700)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>2,290</u>	<u>1,430,000</u>	<u>20,000</u>	<u>429,540</u>	<u>1,881,830</u>	<u>49,087</u>
Cash Flows from Capital and Related Financing Activities:						
Purchase/Disposal of Capital Assets	(1,585,048)	(2,116,846)	-	(222,141)	(3,924,035)	(450,177)
Capital Proceeds from Grants	-	-	-	217,340	217,340	-
Restricted Investments	(65,275)	(29,559)	-	-	(94,834)	-
Debt Proceeds	125,000	117,000	-	-	242,000	-
Interest Payments	(199,003)	(90,679)	-	-	(289,682)	(9,498)
Principal Payments	(699,000)	(62,500)	-	-	(761,500)	(28,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,423,326)</u>	<u>(2,182,584)</u>	<u>-</u>	<u>(4,801)</u>	<u>(4,610,711)</u>	<u>(487,675)</u>
Cash Flows From Investing Activities:						
Interest Income	5,169	4,163	762	1,518	11,612	5,307
Net Cash Provided (Used) by Investing Activities	<u>5,169</u>	<u>4,163</u>	<u>762</u>	<u>1,518</u>	<u>11,612</u>	<u>5,307</u>
Net Increase (Decrease) in Cash and Equivalents	(148,553)	(220,694)	80,305	(14,151)	(303,093)	(236,363)
Cash and Equivalents - Beginning of the Year	244,342	337,336	102,334	275,092	959,104	894,966
Cash and Equivalents - End of the Year	<u>\$ 95,789</u>	<u>\$ 116,642</u>	<u>\$ 182,639</u>	<u>\$ 260,941</u>	<u>\$ 656,011</u>	<u>\$ 658,603</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 163,038	\$ (139,853)	\$ (31,279)	\$ (534,128)	\$ (542,222)	\$ (171,946)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	265,692	186,201	102,116	64,029	618,038	342,587
Amortization of Premium	(2,290)	-	-	-	(2,290)	-
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:						
(Increase) Decrease in Assets:						
Accounts Receivable	1,591,486	499,873	-	(513)	2,090,846	86
Due From Other Governments	-	(258,300)	-	(82,510)	(340,810)	-
Due From Other Funds	(46,342)	61,232	-	-	14,890	10,248
Increase (Decrease) in Liabilities:						
Accounts Payable	349,700	166,692	135	83,788	600,315	16,731
Accrued Liabilities	12,202	5,816	(10,561)	22,994	30,451	(468)
Accrued Interest Payable	285	(430)	-	-	(145)	(320)
Due To Other Governments	-	(38,711)	-	960	(37,751)	-
Due to Other Funds	(69,038)	41,476	(955)	10	(28,507)	-
Compensated Absences	2,581	3,731	87	4,962	11,361	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,267,314</u>	<u>\$ 527,727</u>	<u>\$ 59,543</u>	<u>\$ (440,408)</u>	<u>\$ 2,414,176</u>	<u>\$ 196,918</u>

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	Trust Fund		Total	Custodial Fund
	Employee Retirement	Employee Benefit		General Agency
ASSETS:				
Cash and Equivalents - Unrestricted	\$ -	\$ 566,259	\$ 566,259	\$ 1,014
Investments - at fair value	1,534,668	-	1,534,668	-
Prepaid Items	-	64,553	64,553	-
Loans to Retirement Plan Participants	11,644	-	11,644	-
TOTAL ASSETS	\$ 1,546,312	\$ 630,812	\$ 2,177,124	\$ 1,014
LIABILITIES:				
Accounts Payable	\$ -	\$ 463	\$ 463	\$ 1,014
Accrued Liabilities	-	270,895	270,895	-
TOTAL LIABILITIES	-	271,358	271,358	1,014
NET POSITION:				
Held in Trust for Pension				
Benefits and Other Purposes	\$ 1,546,312	\$ 355,858	\$ 1,902,170	\$ 1,014

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021**

	Trust Fund		Total	Custodial
	Employee Retirement Fund	Employee Benefit Fund		General Agency Fund
ADDITIONS:				
Contributions:				
Employer and Employee	\$ 44,590	\$ -	\$ 44,590	\$ -
Charges for Services	264,789	-	264,789	-
Taxes Collected for Other Governments	-	1,825,690	1,825,690	8,367,694
Total Contributions	<u>309,379</u>	<u>1,825,690</u>	<u>2,135,069</u>	<u>8,367,694</u>
Investment Earnings:				
Interest, Dividends	-	3,970	3,970	-
Total Investment Earnings	<u>-</u>	<u>3,970</u>	<u>3,970</u>	<u>-</u>
Total Additions	<u>309,379</u>	<u>1,829,660</u>	<u>2,139,039</u>	<u>8,367,694</u>
DEDUCTIONS:				
Benefits Paid Out	-	1,894,161	1,894,161	-
Taxes Distributed to Other Governments	-	-	-	8,366,680
Total Deductions	<u>-</u>	<u>1,894,161</u>	<u>1,894,161</u>	<u>8,366,680</u>
Change in Net Position	309,379	(64,501)	244,878	1,014
Net Position Beginning of the Year	<u>1,236,933</u>	<u>420,359</u>	<u>1,657,292</u>	<u>-</u>
Net Position End of the Year	<u>\$ 1,546,312</u>	<u>\$ 355,858</u>	<u>\$ 1,902,170</u>	<u>\$ 1,014</u>

**Statement of Net Position
Component Units
June 30, 2021**

	Downtown Development Authority	TIFA	Houghton Housing Commission	Totals
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 836,826	\$ 874,364	\$ 435,719	\$ 2,146,909
Due from Other Governmental Units	-		-	-
Accounts Receivable - net	-	111,601	30,646	142,247
Prepaid Items	-	-	25,676	25,676
Capital Assets (Not Depreciated)	52,111	-	-	52,111
Capital Assets (Net of Accumulated Depreciation)	625,108	5,580,850	3,047,552	9,253,510
TOTAL ASSETS	1,514,045	6,566,815	3,539,593	11,620,453
DEFERRED OUTFLOWS OF RESOURCES:				
OPEB Items	1,294	3,320		4,614
Pension Items	10,690	27,414	-	38,104
TOTAL DEFERRED OUTFLOWS OF RESOURCES	11,984	30,734	-	42,718
LIABILITIES:				
Accounts Payable	\$ 11,148	195,767	32,664	239,579
Accrued Liabilities	1,753	6,464	69,335	77,552
Accrued Interest Payable	737	-	-	737
Due to Other Governmental Units	148	224	-	372
Deferred Revenues	-	47,626	-	47,626
Bonds Payable - Due in more than one year	765,000	-	-	765,000
Net Pension Liability	13,959	35,796	-	49,755
Net OPEB Liability	17,514	44,912	20,322	82,748
Vested Employee Benefits - Due in more than one year	-	-	17,844	17,844
TOTAL LIABILITIES	810,259	330,789	140,165	1,281,213
DEFERRED INFLOWS OF RESOURCES:				
OPEB Items	83	212	-	295
Pension Items	6,212	15,931	-	22,143
TOTAL DEFERRED INFLOWS OF RESOURCES	6,295	16,143	-	22,438
NET POSITION:				
Net Investment in Capital Assets	677,219	5,580,850	3,047,552	9,305,621
Unrestricted	32,256	669,767	351,876	1,053,899
TOTAL NET POSITION	709,475	6,250,617	3,399,428	10,359,520
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 1,526,029	\$ 6,597,549	\$ 3,539,593	\$ 11,663,171

**Statement of Activities
Component Units
For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	TIFA	Houghton Housing Commission	Total
Public Works:								
Houghton Housing Commission	\$ 988,808	\$ 297,364	\$ 111,639	\$ 111,351	\$ -	\$ -	\$ (468,454)	\$ (468,454)
Economic Development:								
TIFA	939,484	-	-	591,205	-	(348,279)	-	(348,279)
Economic Development:								
Downtown Development Authority	304,371	3,378	-	-	(300,993)	-	-	(300,993)
Total Component Units	<u>\$ 2,232,663</u>	<u>\$ 300,742</u>	<u>\$ 111,639</u>	<u>\$ 702,556</u>	<u>(300,993)</u>	<u>(348,279)</u>	<u>(468,454)</u>	<u>(1,117,726)</u>
General Revenues and Special Items:								
Property Taxes					202,053	683,000	-	885,053
Interest Income					1,325	5,355	2,183	8,863
Other Revenue					-	-	400,811	400,811
Total General Revenues					<u>203,378</u>	<u>688,355</u>	<u>402,994</u>	<u>1,294,727</u>
Changes in Net Position					(97,615)	340,076	(65,460)	177,001
Net Position - Beginning (As Restated See Note 13)					807,090	5,910,541	3,464,888	10,182,519
Net Position - Ending					<u>\$ 709,475</u>	<u>\$ 6,250,617</u>	<u>\$ 3,399,428</u>	<u>\$ 10,359,520</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Houghton conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Houghton.

A. Reporting Entity

The City of Houghton (the "City") is governed by a City Council elected by the community at large. The legislative body appoints a City Manager to administer the affairs of the City. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, parks and recreation, public improvements, planning and zoning and general administrative services. The City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14 and Statement No. 61, regarding the definition of the reporting entity.

Jointly Governed Organization

On January 24, 1964, Portage Lake Water and Sewer Authority entered into a contract with the City of Houghton and the City of Hancock. The contract calls for the acquisition, improvements, enlargements, extension, operation and maintenance of a sewage disposal system. The cost of operations and improvements are divided between the City of Houghton and the City of Hancock on a pro rata basis based upon the percentage use of the plant by each city as measured by the material flow from the pumping station. The Authority is not considered a component unit of either city. The City's investment in the Authority is included in the Sewage Disposal System Fund's. Net Positions for the Water and Sewer Authority as of June 30, 2021 is \$9,739,812.

Building Authority

The Building Authority of the City of Houghton is governed by a five-member board appointed by the City Council. It was created to facilitate the issuance of bonded debt. This unit has no day-to-day operations and the debt issued by it is reflected in the government-wide statement of net position under governmental activities and component units.

Blended Component Unit

A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate fund types and account groups.

Discretely Presented Component Units

The following component units are reported within the "component units" column in the financial statements. A discretely presented component unit is an entity that is legally separate from the City, but for which the City is financially accountable, or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Downtown Development Authority and the Tax Increment Finance Authority are considered to be component units of the City and their financial statements are presented discretely with the City's. The Downtown Development Authority and the Tax Increment Finance Authority are governed by the same board. The board consists of nine members which include the City Manager and 8 others that are appointed by the Mayor subject to approval by the City Council.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Houghton Housing Commission is a component unit of the City of Houghton. It is governed by a five-member board appointed by the City Manager. It is audited separately.

B. Government-Wide 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. *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 the legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or 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 proprietary funds are reported as separate columns in the fund financial statements. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

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

The *Major Street Fund* accounts for the use of motor fuel taxes which are restricted by State statute for major street and highway purposes.

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

The *Revolving Loan Fund* accounts money derived from loan activity which are restricted for loan purposes.

Capital Project Funds. These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major proprietary funds:

The *Water, Sewer, Parking and Transit Fund* are the City's major proprietary fund. It accounts for the activities of the City's water distribution, sewage disposal and treatment system, parking and transportation.

Additionally, the City reports the following fund types:

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

Internal Service Fund. This fund accounts for operations that provide machinery and equipment to other departments of the City on a cost-reimbursement basis.

Agency Funds. These funds account for assets held for others in an agency capacity. These include the Tax Collection Fund, an Agency Fund; the Employee Retirement Fund, a Pension Fund; and the Employee Benefit Fund, an Expendable Trust Fund. The Employee Retirement Fund is accounted for in essentially the same manner as proprietary fund since capital maintenance is critical. Trust Funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and don't involve measurement of results of operations.

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

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash is disbursed.

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. Property taxes, state revenue, and interest are considered to be susceptible to accrual.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The City's cash and equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Pooled investment income for all funds is allocated to each fund based on average cash balance. Deposits are recorded at cost. Investments are reported at fair market value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sale price. Investments that do not have an established market are reported at estimated fair value. All investments comply with Michigan Compiled Laws, Section 139.91.

Interfund Receivables and Payables

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

Inventories and Prepaids Items

Inventories are valued at cost on the first in, first out basis for proprietary fund types. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both governmental-wide and fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes include amounts levied against all real and public utility property and tangible personal property which is used in business located in the City. Taxes are levied on July 1 on the taxable value listed as of the prior January 1. The due date for taxes to be paid without penalty for the summer levy is July 31, the winter levy due date is December 1. All real property taxes remaining unpaid by March 1 are bought by Houghton County. Property tax revenue is recognized as of July 1, when the taxes are levied. In the fund financial statements, any taxes collected before that date are recorded as deferred revenue. Property taxes receivable over 60 days are required to be recorded as deferred revenue in accordance with generally accepted accounting principles for local governments.

Assessed values are established annually by the City, and subject to acceptance by the County, are equalized by the state at an estimated 50% of current market value. Real and personal property in the City for the 2020 taxable value was assessed at \$150,766,859.

The government’s general operating tax rate for fiscal year 2021 was 15.000 mills.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	10 to 50 years
Roads	50 years
Other Infrastructure	50 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Restricted Assets

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Impairment of Long-Lived Assets***

Management reviews long-lived assets held and used by the City for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

Pensions and OPEB

For purposes of measuring the net pension liability and Other Post Employment Benefits, deferred outflows of resources and deferred inflows of resources, and pension and fringe expense, information about the fiduciary net position of the Plans and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the plan administrators. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Vested Employee Benefits (Vacation, Personal, and Sick Leave)

City employees earn vacation leave, which generally cannot be accumulated. Unused sick leave may be accumulated to a specific maximum amount. In accordance with generally accepted accounting principles an accrual for compensated absences is reflected in the fiduciary fund types financial statements. The amount of current year compensated absences for the City is budgeted annually as an expense in the Employee Benefit Fund. The liability is split between the current and the long-term portion. The current portion is recorded in the Employee Benefit Fund. The long-term portion is recorded in the Government-Wide Statement of Net Assets.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net 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 OPEB and pension items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net 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 unavailable revenues, OPEB and pension items that qualify for reporting in this category.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are recorded as deferred inflows and outflows and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as period expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance Classification

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

- **Nonspendable**: This classification includes amounts that cannot be spent because they are either (a) not spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Prepaid Items as being Nonspendable as these items are not expected to be converted to cash within the next year. The City has \$9,739 in Nonspendable fund balance.
- **Restricted**: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has \$1,672,394 in restricted fund balance.
- **Committed**: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned**: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- **Unassigned**: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Procedures

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, (MCL 141.421) which requires the City Council to approve a budget for the General Fund and all Special Revenue Funds. The Manager prepares a budget in accordance with the Act which is adopted by the Board at a public hearing each May. All budgets lapse at fiscal year end.

NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Equivalents -					
Unrestricted	\$ 3,045,197	\$ 866,980	\$ 3,912,177	\$ 567,273	\$ 2,146,909
Restricted	1,685	1,077,307	1,078,992	-	-
Investments -					
Unrestricted	-	-	-	1,534,668	-
Restricted	-	-	-	-	-
Total	<u>\$ 3,046,882</u>	<u>\$ 1,944,287</u>	<u>\$ 4,991,169</u>	<u>\$ 2,101,941</u>	<u>\$ 2,146,9090</u>

Investments of the Water and Sewer Fund are restricted by bond debt reserves requirements and construction projects in the amount of \$798,033.

The breakdown between cash and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit and money market accounts)	\$ 4,990,568	\$ 567,273	\$ 2,146,909
Petty Cash and Cash on Hand	601	-	-
Investments	-	1,534,668	-
Total	<u>\$ 4,991,169</u>	<u>\$ 2,101,941</u>	<u>\$ 2,146,909</u>

NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS (Continued)

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, \$7,161,094 of the City’s bank balance of \$0 was exposed to credit risk because it was uninsured and uncollateralized.

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

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

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

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

The City has the following fair value measurements as of June 30, 2021:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	<u>\$ 1,534,668</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Bonds and secured mortgages, stocks, mutual funds, and annuities are held in the Employee Retirement Fund. All investments are Nonrisk-Categorized Investments.

Statutory Authority:

P.A. 152, entitled “An act relative to the investment of funds of public corporations of the state; and to validate certain investments,” by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).

NOTE 3 - CASH AND INVESTMENTS (Continued)

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

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

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the City and specific funds. They are recorded in City records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 655,759	\$ -	\$ 35,500	\$ 691,259
<i>Capital assets being depreciated:</i>				
Buildings	3,873,975	-	(13,996)	3,859,979
Improvements	4,698,187	-	(20,923)	4,677,264
Equipment	6,402,803	573,488	(1,445,501)	5,530,790
Infrastructure	<u>8,683,327</u>	<u>11,982</u>	<u>(2,041,746)</u>	<u>6,653,563</u>
Subtotal	<u>23,658,292</u>	<u>585,470</u>	<u>(3,522,166)</u>	<u>20,721,596</u>
<i>Less accumulated depreciation for:</i>				
Building	(1,563,432)	(71,270)	(8,078)	(1,642,780)
Improvements	(3,394,056)	(109,397)	48,683	(3,454,770)
Equipment	(4,386,561)	(407,330)	1,303,421	(3,490,470)
Infrastructure	<u>(3,068,846)</u>	<u>(117,422)</u>	<u>186,364</u>	<u>(2,999,904)</u>
Subtotal	<u>(12,412,895)</u>	<u>(705,419)</u>	<u>1,530,390</u>	<u>(11,587,924)</u>
Net Capital Assets Being Depreciated	<u>11,245,397</u>	<u>(119,949)</u>	<u>(1,991,776)</u>	<u>9,133,672</u>
Capital Assets – Net	<u>\$ 11,901,156</u>	<u>\$ (119,949)</u>	<u>\$ (1,956,276)</u>	<u>\$ 9,824,931</u>

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

Governmental Activities	
General Government	\$ 114,445
Public Safety	57,344
Public Works	169,030
Recreation and Culture	22,013
Internal Service	<u>342,587</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 705,419</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ -	\$ -	\$ 77,211	\$ 77,211
Construction in Progress	-	<u>3,751,893</u>	<u>932,212</u>	<u>4,684,105</u>
Subtotal	-	<u>3,751,893</u>	<u>1,009,423</u>	<u>4,761,316</u>
<i>Capital assets being depreciated:</i>				
Building	276,443	-	-	276,443
Improvements	744,334	-	-	74,334
Equipment	1,908,661	222,141	(583,906)	1,546,896
Infrastructure	<u>30,370,378</u>	-	<u>(166,151)</u>	<u>29,892,378</u>
Subtotal	<u>32,629,816</u>	<u>222,141</u>	<u>(750,057)</u>	<u>31,790,051</u>
<i>Less accumulated depreciation for:</i>				
Building	(190,674)	(6,836)	(387)	(197,897)
Improvements	(29,396)	(1,859)	2,644	(28,611)
Equipment	(1,585,767)	(72,416)	403,480	(1,249,151)
Infrastructure	<u>(15,555,356)</u>	<u>(536,927)</u>	<u>(45,052)</u>	<u>(16,142,890)</u>
Subtotal	<u>(17,361,193)</u>	<u>(618,038)</u>	<u>360,685</u>	<u>(17,618,549)</u>
Net Capital Assets Being Depreciated	<u>14,956,771</u>	<u>(395,897)</u>	<u>(389,372)</u>	<u>14,171,502</u>
Capital Assets – Net	<u>\$ 14,956,771</u>	<u>\$ 3,355,996</u>	<u>\$ 620,051</u>	<u>\$ 18,932,818</u>

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

Business-type Activities	
Water	\$ 265,692
Sewer	186,201
Parking	102,116
Transit	<u>64,029</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 618,038</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balances</u>
Component Unit Activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 52,111	\$ -	\$ -	\$ 52,111
<i>Capital assets being depreciated:</i>				
Buildings	635,570	-	-	635,570
Equipment	-	-	45,365	45,365
Infrastructure	8,637,854	-	(52,179)	8,585,675
Subtotal	<u>9,273,424</u>	<u>-</u>	<u>6,814</u>	<u>9,266,610</u>
<i>Less accumulated depreciation:</i>				
Buildings	(285,033)	(12,712)	(24,653)	(322,398)
Equipment	-	(835)	(44,790)	(45,625)
Infrastructure	(2,624,373)	(172,292)	104,036	(2,692,629)
Subtotal	<u>(2,909,406)</u>	<u>(185,839)</u>	<u>34,593</u>	<u>(3,060,652)</u>
Net Capital Assets Being Depreciated	<u>6,364,018</u>	<u>(185,839)</u>	<u>27,779</u>	<u>6,205,958</u>
Capital Assets - Net	<u>\$ 6,416,129</u>	<u>\$ (185,839)</u>	<u>\$ 27,779</u>	<u>\$ 6,258,069</u>

Depreciation expense for the year ended June 30, 2021 was \$185,839.

Capital asset activity for the Houghton Housing Commission for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Houghton Housing Commission:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 173,736	\$ -	\$ -	\$ 173,736
Construction in progress	-	111,351	(107,358)	3,993
Subtotal	<u>173,736</u>	<u>111,351</u>	<u>(107,358)</u>	<u>177,729</u>
<i>Capital assets being depreciated:</i>				
Leasehold Improvements	673,699	-	-	673,699
Building and Improvements	6,468,513	107,357	-	6,575,870
Equipment	198,996	10,920	(8,638)	201,278
Subtotal	<u>7,341,208</u>	<u>118,277</u>	<u>(8,638)</u>	<u>7,450,847</u>
<i>Less accumulated depreciation:</i>				
Accumulated depreciation	<u>(4,382,425)</u>	<u>(207,237)</u>	<u>8,638</u>	<u>(4,581,024)</u>
Net Capital Assets Being Depreciated	<u>2,958,783</u>	<u>(88,960)</u>	<u>-</u>	<u>3,043,559</u>
Capital Assets - Net	<u>\$ 3,132,519</u>	<u>\$ 22,391</u>	<u>\$ (107,358)</u>	<u>\$ 3,047,552</u>

Depreciation expense for the year ended December 31, 2020 was \$207,237.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The City reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

DUE FROM OTHER FUNDS							
	General	Major Street	Local Street	Water Supply	Internal Service	Total	
DUE TO OTHER FUNDS	General	\$ 1	\$ -	\$ -	\$ 660	\$ 6,254	\$ 6,915
	Major Street	-	-	10,358	-	8,061	18,419
	Local Street	-	-	-	-	7,633	7,633
	Nonmajor						
	Governmental	464,273	-	-	-	-	464,273
	Water Supply	324	-	-	-	2,625	2,949
	Sewer Disposal System	129	311	-	45,682	1,851	47,973
	Parking System	-	-	-	-	373	373
	Transit	-	-	-	-	525	525
	Total	<u>\$ 464,727</u>	<u>\$ 311</u>	<u>\$ 10,358</u>	<u>\$ 46,342</u>	<u>\$ 27,322</u>	<u>\$ 549,060</u>

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

TRANSFERS OUT					
	General	Major Street	Internal Service	Total	
TRANSFERS IN	General	\$ -	\$ -	\$ 5,700	\$ 5,700
	Local Street	51,365	250,000	-	301,365
	Parking System	-	-	20,000	20,000
	Transit	100,000	-	-	100,000
	Total	<u>\$ 151,365</u>	<u>\$ 250,000</u>	<u>\$ 25,700</u>	<u>\$ 319,065</u>

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

NOTE 6 - LONG-TERM DEBT

PRIMARY GOVERNMENT

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. City contractual agreements and installment purchase agreements are also general obligations of the City. Revenue bonds involve a pledge of specified income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions	Transfers/ Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>							
Bonds:							
2016 Michigan Transportation General Obligation Bonds	2.75%	2031	\$ 486,000	\$ -	\$ 38,000	\$ 448,000	\$ 39,000
2013 Limited Tax General Obligation Refunding Bond	2.00 to 4.00%	2036	1,390,000	-	65,000	1,325,000	67,580
Installment Notes/Contracts:							
2006 Rural Development	4.25%	2022	33,000	-	16,000	17,000	17,000
2016 Rural Development	2.75%	2031	357,000	-	28,000	329,000	29,000
2018 Michigan Transportation	0.00%	2023	1,300,000	-	325,000	975,000	325,000
2006 Building Improvement	4.60%	2021	<u>51,063</u>	<u>-</u>	<u>51,063</u>	<u>-</u>	<u>-</u>
Subtotal			<u>3,617,063</u>	<u>-</u>	<u>523,063</u>	<u>3,094,000</u>	<u>477,580</u>
2013 Limited Tax General Obligation Refunding Bond Premiums			<u>16,458</u>	<u>-</u>	<u>1,029</u>	<u>15,429</u>	<u>1,029</u>
Vested Employee Benefits - net			<u>415,401</u>	<u>11,898</u>	<u>-</u>	<u>427,299</u>	<u>-</u>
Total Governmental Activities			<u>4,048,922</u>	<u>77,898</u>	<u>524,092</u>	<u>3,536,728</u>	<u>478,609</u>
<u>Business-type Activities</u>							
Bonds:							
2020A Water Supply System Junior Lien Revenue Bonds	1.375%	2060	1,750,000	-	27,000	1,723,000	27,000
2020A Sewer Disposal System Junior Lien Revenue Bonds	1.63%	2060	500,000	-	8,000	492,000	8,000
2020B Sewer Disposal System Junior Lien Revenue Bonds	1.375%	2060	87,000	-	1,500	85,500	1,500
2012 Water Supply and Sewer System Revenue Bonds	2.125%	2052	3,650,000	-	73,000	3,577,000	75,000
2012 Water Supply and Sewer System Revenue Bonds	2.75%	2052	3,128,000	-	53,000	3,075,000	55,000
2013 Limited Tax General Obligation Refunding Bond	2.00 to 4.00%	2036	3,135,000	-	145,000	2,990,000	152,420
2021A Sewage Disposal System Junior Lien Revenue Bonds		2039	-	117,000	-	117,000	6,000
2021A Water Supply System Junior Lien Revenue Bond	%	2027	<u>-</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>	<u>9,500</u>
Subtotal			<u>12,250,000</u>	<u>242,000</u>	<u>307,500</u>	<u>12,184,500</u>	<u>347,420</u>
2013 LTGO Refunding Bond Premiums			<u>36,632</u>	<u>-</u>	<u>2,290</u>	<u>34,342</u>	<u>2,290</u>
Vested Employee Benefits - net			<u>150,258</u>	<u>11,360</u>	<u>-</u>	<u>161,618</u>	<u>-</u>
Total Business-type Activities			<u>12,436,890</u>	<u>253,360</u>	<u>309,790</u>	<u>12,380,460</u>	<u>349,710</u>
Total Long-Term Debt – Primary Government			<u>\$16,485,812</u>	<u>\$1,030,258</u>	<u>\$ 833,882</u>	<u>\$16,682,188</u>	<u>\$ 827,290</u>

NOTE 6 - LONG-TERM DEBT (Continued)

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

During the year ended June 30, 2021, the following changes occurred in long-term liabilities.

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers/ Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Component Unit - DDA							
2021 General Obligation Limited Tax Bond		2041	\$ -	\$ 765,000	\$ -	\$ 765,000	\$ -

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Unit - DDA</u>	
	<u>Bonds/Installment Notes Payable</u>		<u>Bonds/Installment Notes Payable</u>		<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
Fiscal:						
2022	\$ 478,609	\$ 70,396	\$ 349,710	\$ 306,854	\$ -	\$ 13,923
2023	466,145	66,114	358,174	298,232	35,000	17,395
2024	469,681	62,066	367,138	289,397	35,000	17,096
2025	149,753	57,854	378,566	280,208	35,000	16,746
2026	152,289	53,445	388,530	270,580	35,000	16,370
2027-2031	849,200	187,063	2,033,895	1,179,267	185,000	73,814
2032-2036	543,752	55,631	2,420,829	842,379	205,000	54,081
2037-2041	-	-	1,350,000	580,449	235,000	22,145
2042-2046	-	-	1,525,500	425,258	-	-
2047-2051	-	-	1,752,500	246,258	-	-
2052-2056	-	-	953,500	65,037	-	-
2057-2060	-	-	341,000	18,694	-	-
TOTALS	\$ 3,109,429	\$ 552,569	\$ 12,218,842	\$ 4,803,284	\$ 765,000	\$ 231,570

COMPONENT UNIT – HOUGHTON HOUSING COMMISSION

During the year ended December 31, 2020, the following changes occurred in long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Housing Commission					
Vested Employee Benefits	12,867	14,299	-	38,166	20,322
Total Component Unit Long-Term Debt	\$ 12,867	\$ 14,299	\$ -	\$ 38,166	\$ 20,322

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

PRIMARY GOVERNMENT - DEFINED BENEFIT PLAN

Description of Plan and Plan Assets

The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees’ Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2020.

General Information about the Pension Plan

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

01 – All Full Time Employees: Open Division	
	<u>2020 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	5 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	3 years
Employee Contributions	4.73%
COLA for Future Retirees:	2.50% (Non-Compound)
Act 88:	Yes (Adopted 3/8/2010)

Employees Covered by Benefit Terms

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>29</u>
	37

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City’s competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The City is required to contribute at an actuarially determined rate.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	\$ 5,811,438	\$ 4,792,444	\$ 1,018,994
Service cost	198,948	-	198,948
Interest on total pension liability	442,912	-	442,912
Changes in benefits	(11,786)	-	(11,786)
Difference between expected and actual experience	(110,364)	-	(110,364)
Changes in assumptions	234,723	-	234,723
Employer contributions	-	255,964	(255,964)
Employee contributions	-	26,117	(26,117)
Net investment income	-	644,848	(644,848)
Benefit payments, including employee refunds	(166,239)	(166,239)	-
Administrative expense	-	(9,862)	9,862
Other changes	-	-	-
Net changes	<u>588,194</u>	<u>750,828</u>	<u>(162,634)</u>
Balances as of December 31, 2020	<u>\$ 6,399,632</u>	<u>\$ 5,543,272</u>	<u>\$ 856,360</u>

Discount Rate. The discount rate used to measure the total pension liability is 7.60% for 2020. 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.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.60%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
City's net pension liability	\$1,832,200	\$856,360	\$47,151

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

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

For the year ended December 31, 2020, the City recognized pension expense of \$261,220. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 156,182	\$ 162,081
Changes in assumptions	372,174	-
Net difference between projected and actual earnings on pension plan investments		219,048
Contributions subsequent to the measurement date	127,497	-
Total	\$ 655,853	\$ 381,129

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

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

<u>Year Ended June 30:</u>	
2022	\$ 25,400
2023	63,740
2024	(46,660)
2025	(23,033)
2026	43,914
2027-2028	83,866
Total	\$ 147,227

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

PRIMARY GOVERNMENT – MONEY PURCHASE PLAN

The City provided pension benefits through April of 2010 for all of its full-time employees through a money purchase plan. In a money purchase plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The agreement requires that the City contribute an amount equal to 15.054% of the employees base salary each month. The City's contributions for each employee (and interest are allocated to the employee's account) were fully vested after three years of continuous service. City contributions for, and interest forfeited by, employees who leave employment before the three years of service are used to reduce the City's current period contribution requirement.

In April of 2010, the City gave its employees the option to have their retirement benefits paid into the Michigan Municipal Employee Retirement System, an agent multi-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. All qualified new employees will be covered by this plan.

The City's total payroll in the fiscal year ending June 30, 2021 was \$2,527,266. The City's contributions to the money purchase plan were calculated using the base salary amount of \$306,079. The City made the required contribution of \$44,590.

Money purchase plan participants may borrow up to 50% of the amount vested in their plan. The Loan must be paid back through payroll check deductions. The length of the loan can vary from one to five years and the interest rate is set by the pension board. Interest is currently 9.5%. A Loan for up to twenty-five years can be made for the purchase of a new home or to refinance their current mortgage. The interest rate on these loans is currently set at 7.5%.

COMPONENT UNIT – HOUGHTON HOUSING COMMISSION – DEFINED CONTRIBUTION PLAN

Description of Plan and Plan Assets

The Commission contributes to defined contribution plans (Plans) administered through F&G Insurance and Edward Jones for its full-time administrative and maintenance employees who have completed twelve months of continued service. Benefit terms, including contribution requirements, for the Plans are established and may be amended by the Board of Commissioners. The Commission is required to contribute 8 percent of annual salaries to individual employee accounts for each participating employee. Employees are permitted to make contributions up to applicable Internal Revenue Code limits. For the year ended December 31, 2020, employee contribution totaled \$0, and the Commission recognized pension expense of \$19,297.

Employees are immediately vested in all contributions (Employer and Employee) and earnings on those contributions. As, such there were no forfeitures for the year ended December 31, 2020.

The Commission had no liability to the Plans at December 31, 2020.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS

PRIMARY GOVERNMENT

Plan Description

The City Houghton Other Post-Employment Benefits Plan is a single employer plan established and administers by the City of Houghton and can be amended at its discretion. No assets are accumulated in a trust that meets criteria in paragraph 4 of GASB Statement 75.

Benefits Provided

The plan provides a defined benefit to eligible retirees and their spouses. This benefit covers full-time employees who were hired prior to July 1, 2015. The plan is closed to new entrants as employees hired on July 1, 2015 or later are not covered. Eligibility for benefits is achieved at age 62 or when age plus service years is at least 80 years. Eligible participants who retire prior to July 1, 2002 are entitled to received \$230 per month for themselves and also their spouses. Eligible participants who retire on or after July 1, 2002 are entitled to a \$200 per month benefit. The benefit continues for a surviving spouse.

Summary of Plan Participants

As of June 30,2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	21
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>17</u>
Total participants covered by OPEB Plan	<u><u>38</u></u>

Contributions

The Plan was established and is being funded under the authority of the City Council and under agreements with the unions representing various classes of employees. The Plan’s funding policy is to pay expected plan benefits from general operating funds on a “pay-as-you-go” basis. Active participants do not make contributions to prefund the Plan. There are no long-term contracts for contributions to the Plan. The Plan has no legally required reserves.

Total OPEB Liability

The City’s Total OPEB Liability of \$1,074,453 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions

The Total OPEB Liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021. The following actuarial assumptions were used in the measurement:

Inflation	NA
Salary increases	3.0% (for purposes of allocating liability)
Investment rate of return	N/A; this plan is not pre-funded
20-year Aa municipal bond rate	2.18% (S&P Municipal Bond 20-Year High Grade Index)
Mortality	Public General and Public Safety Pub-2010 Employee and Healthy Retiree, Headcount weighted
Improvement Scale	MP-2020

As this plan is not pre-funded, no long term expected rate of return in Plan Investments was determined.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.18%. 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. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits (not applicable to this plan.) From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. AS of June 30, 2020 the discount rate used to determine OPEB liabilities was 2.66%.

Discount and Trend Rate Sensitivity

Since the benefit stipends received by participants is a fixed amount, the Total OPEB Liability is not sensitive to changes in the healthcare cost trend rate. Any increase or decrease in the healthcare cost trend rate will have no effect on the Total OPEB Liability for the City. However, the Total OPEB Liability is sensitive to changes in the discount rate. The following presents the Total OPEB Liability of the city, calculated using the discount rate of 2.66%, as well as what the City’s Total OPEB Liability would be if it were calculated using a discount rate that is 1% higher or lower than base assumptions:

Discount Rate	(1%)	2.66%	1%
Total OPEB Liability	1,210,480	1,074,453	961,071
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	1,210,480	1,074,453	961,071

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Change in the Net OPEB Liability

	<u>Increases (Decreases)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2020	\$ 1,025,577	\$ -	\$ 1,025,577
Service cost	18,466	-	18,466
Interest	27,109	-	27,109
Changes in experience	(3,841)	-	(3,841)
Changes in assumptions	56,942	-	56,942
Employer contributions	-	49,800	(49,800)
Employee contributions	-	-	-
Net investment income	-	-	-
Benefit payments, including employee refunds	(49,800)	(49,800)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	<u>48,876</u>	<u>-</u>	<u>48,876</u>
Balances as of December 31, 2020	<u>\$ 1,074,453</u>	<u>\$ -</u>	<u>\$ 1,074,453</u>

OPEB Expenses

Below are the components of the total OPEB expense:

	<u>6/30/2021</u>
Service Cost	\$ 18,466
Interest on total OPEB liability	27,109
Experience (Gains)/Losses	687
Changes in Assumptions	<u>20,402</u>
Net OPEB Expense	<u>\$ 66,664</u>

OPEB Plan Fiduciary Net Position

The OPEB Plan Fiduciary Net Position as of June 30, 2021 is \$ -; this plan is not pre-funded.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Deferred Inflows and Outflows of Resources Related to OPEB Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,872	\$ 5,072
Changes in assumptions	71,553	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	\$ 79,425	\$ 5,072

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

Year Ended June 30:

2022	\$ 21,089
2023	21,089
2024	21,089
2025	11,086
Total	\$ 74,353

COMPONENT UNIT – HOUGHTON HOUSING COMMISSION

The Commission does not participate in a post-employment benefits plan.

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of losses related to property loss, torts theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which it obtains coverage from commercial insurance companies. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

NOTE 10 - CONTINGENT LIABILITY FOR POLLUTION REMEDIATION:

In 2021, elevated levels of Per- and polyfluoroalkyl substances (PFAS) was detected at an old, abandoned City landfill site that is currently being used for City composting operations. At this time, Michigan Department of Environment, Great Lakes, and Energy (EGLE) is investigating the matter and there is no reasonable estimate of cleanup costs or how costs would be funded. It is the City’s opinion that any related costs will not have a material adverse effect on the City’s financial condition.

NOTE 11 - EXCESS EXPENDITURES OVER APPROPRIATIONS:

Public Act 2 of 1968, the Uniform Budgeting and Accounting Act, 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 were in excess of amounts appropriated as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Debt Service	\$ 440,600	\$ 547,726	\$ (107,126)
Other Expenditures	166,500	178,415	(11,915)

NOTE 12 - DEFICIT UNASSIGNED FUND BALANCE

An unassigned fund balance deficit existed in the following fund as indicated:

Capital Project Fund	\$ (15,174)
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The Tourist Park already has a multiple year deficit elimination plan excepted with the State of Michigan.

NOTE 13 - RESTATEMENTS:

	<u>Governmental Activities Net Position</u>
Beginning net position as previously stated at July 1, 2020	\$ 10,790,709
Restatement of Net Position – Unrecorded Compensated absences	(103,684)
Restatement of Net Position – To reclassify Federal and State Revenue to Proper Period	199,323
Restatement of Net Position-To record Bond Premium	<u>(16,458)</u>
Beginning net position as restated at July 1, 2020	<u>\$ 10,869,890</u>
	<u>General Fund</u>
Beginning net position as previously reported at July 1, 2020	\$ 1,720,938
Restatement of beginning net position – To reclassify Federal and State Revenue to Proper Period	<u>137,647</u>
Net position as restated, July 1, 2020	<u>\$ 1,858,585</u>

NOTE 13 - RESTATEMENTS: (Continued)

	<u>Capital Project Fund</u>
Beginning net position as previously reported at July 1, 2020	\$ 9,994
Restatement of beginning net position – To reclassify Federal and State Revenue to Proper Period	<u>61,676</u>
Net position as restated, July 1, 2020	<u>\$ 71,670</u>
	<u>Business-type Activities Net Position</u>
Beginning net position as previously stated at July 1, 2020	\$ 7,759,382
Restatement of Net Position – Unrecorded compensated absences	(150,259)
Restatement of Net Position – To reclassify fixed assets	358,198
Restatement of Net Position-To record Bond Premium	<u>(36,632)</u>
Beginning net position as restated at July 1, 2020	<u>\$ 7,930,689</u>
	<u>Water Supply Fund</u>
Beginning net position as previously reported at July 1, 2020	\$ 1,247,606
Restatement of beginning net position – Adjustment for under reported Compensated absences	(39,563)
Restatement of beginning net position –Reclassification to record bond premium not recorded in prior year.	<u>(36,632)</u>
Net position as restated, July 1, 2020	<u>\$ 1,171,411</u>
	<u>Sewer Disposal Funds</u>
Beginning net position as previously reported at July 1, 2020	\$ 3,753,759
Restatement of beginning net position – Adjustment for under reported Compensated absences	(49,318)
Restatement of beginning net position – To record capital assets not recorded in prior years.	<u>358,198</u>
Net position as restated, July 1, 2020	<u>\$ 4,062,639</u>

NOTE 13 - RESTATEMENTS: (Continued)

	<u>Parking System Fund</u>
Beginning net position as previously reported at July 1, 2020	\$ 2,281,844
Restatement of beginning net position – Adjustment for under reported Compensated absences	<u>(6,417)</u>
Net position as restated, July 1, 2020	<u>\$ 2,275,427</u>
	<u>Transit Fund</u>
Beginning net position as previously reported at July 1, 2020	\$ 265,204
Restatement of beginning net position – Adjustment for under reported Compensated absences	<u>(54,961)</u>
Net position as restated, July 1, 2020	<u>\$ 210,243</u>
	<u>Component Unit Net Position</u>
Beginning net position as previously stated at July 1, 2020	\$ 5,852,776
Restatement of Net Position – To reclassify Federal and State Revenue to Proper Period	<u>57,765</u>
Beginning net position as restated at July 1, 2020	<u>\$ 5,910,541</u>
	<u>Component Unit Fund Balance TIFA Fund</u>
Beginning net position as previously stated at July 1, 2020	\$ 169,737
Restatement of Net Position – To reclassify Federal and State Revenue to Proper Period	<u>57,765</u>
Beginning net position as restated at July 1, 2020	<u>\$ 227,502</u>

Required Supplementary Information

Required Supplementary Information
Schedule of Changes in the City MERS Net Pension Liability and Related Ratios
For the Year Ended June 30, 2021

	Actuarial Date as of December 31					
	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 198,948	\$ 195,969	\$ 185,438	\$ 170,938	\$ 145,464	\$ 106,558
Interest	442,912	403,305	375,576	347,172	301,089	283,264
Benefit changes	(11,786)	(17,692)	(5,846)	4,188	(5,719)	(700)
Difference between expected and actual experience	(110,364)	66,249	35,604	(73,669)	215,784	(114,732)
Changes in actuarial assumptions	234,723	153,453	-	-	-	189,760
Benefit payments, including refund of member contributions	(166,239)	(139,067)	(107,347)	(94,265)	(92,338)	(214,647)
Other Changes	-	10,101	5	-	-	-
Net change in total pension liability	588,194	672,318	483,430	354,364	564,280	249,503
Total pension liability - beginning	5,811,438	5,139,120	4,655,690	4,301,326	3,737,046	3,487,543
Total pension liability - ending	<u>\$ 6,399,632</u>	<u>\$ 5,811,438</u>	<u>\$ 5,139,120</u>	<u>\$ 4,655,690</u>	<u>\$ 4,301,326</u>	<u>\$ 3,737,046</u>
Plan fiduciary net position						
Contributions - employer	\$ 255,964	\$ 258,668	\$ 242,064	\$ 220,902	\$ 186,248	\$ 141,688
Contributions - employee	26,117	25,267	14,261	-	-	-
Net investment income	644,848	568,831	170,050	478,123	358,762	(47,007)
Benefit payments, including refunds of member contributions	(166,239)	(139,067)	(107,347)	(94,265)	(92,338)	(214,647)
Administrative expense	(9,862)	(9,814)	(8,186)	(7,542)	(7,073)	(7,018)
Other	-	-	(340,099)	-	-	-
Net change in plan fiduciary net position	750,828	703,885	(29,257)	597,218	445,599	(126,984)
Plan fiduciary net position - beginning	4,792,444	4,088,559	4,117,816	3,520,598	3,074,999	3,201,983
Plan fiduciary net position - ending	<u>\$ 5,543,272</u>	<u>\$ 4,792,444</u>	<u>\$ 4,088,559</u>	<u>\$ 4,117,816</u>	<u>\$ 3,520,598</u>	<u>\$ 3,074,999</u>
City's net pension liability - ending	<u>\$ 856,360</u>	<u>\$ 1,018,994</u>	<u>\$ 1,050,561</u>	<u>\$ 537,874</u>	<u>\$ 780,728</u>	<u>\$ 662,047</u>
Plan fiduciary net position as a percentage of the total pension liability	86.62%	82.47%	79.56%	88.45%	81.85%	82.28%
Covered - employee payroll	\$ 1,707,709	\$ 1,704,076	\$ 1,655,700	\$ 1,504,735	\$ 1,290,717	\$ 989,398
City's net pension liability as a percentage of covered-employee payroll	50.15%	59.80%	63.45%	35.75%	60.49%	66.91%

**Required Supplementary Information
Schedule of City MERS Employer's Contributions
For the Year Ended June 30, 2021**

	Actuarial Date as of December 31					
	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 255,964	\$ 258,668	\$ 242,064	\$ 211,597	\$ 162,513	\$ 122,591
Contributions in relation to the actuarially determined contribution	255,964	258,668	242,064	220,902	186,248	141,688
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,305)</u>	<u>\$ (23,735)</u>	<u>\$ (19,097)</u>
Covered - employee payroll	\$ 1,707,709	\$ 1,704,076	\$ 1,655,700	\$ 1,504,735	\$ 1,290,717	\$ 989,398
Contributions as a percentage of covered-employee payroll	14.99%	15.18%	14.62%	14.68%	14.43%	14.32%

Notes to Schedule:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	19 years
Asset valuation method	5-years smoothed market
Inflation	3.0 - 4.0%
Salary increases	2.0%, average, including inflation
Investment rate of return	7.35%
Retirement age	60
Mortality	Mortality rates were based on the RP 2014 Group Annuity Mortality Table of 50% Male and 50% Female blend.

City of Houghton, Michigan

Required Supplementary Information Employee Retirement and Benefit Systems Changes in Net OPEB Liability and Related Ratios For the Year Ended June 30, 2021

	2018	2019	2020	2021
Total OPEB liability				
Service cost	\$ 18,447	\$ 19,000	\$ 19,580	\$ 18,466
Interest	29,005	29,029	29,568	27,109
Changes in experience	-	(3,978)	12,208	(3,841)
Change in assumptions	-	22,428	23,988	56,942
Benefit payments, including refund of member contributions	(47,760)	(46,641)	(51,560)	(49,800)
Other changes	-	-	-	-
Net change in total OPEB liability	(308)	19,838	33,784	48,876
Total OPEB liability - beginning	972,263	971,955	991,793	1,025,577
Total OPEB liability - ending	<u>\$ 971,955</u>	<u>\$ 991,793</u>	<u>\$ 1,025,577</u>	<u>\$ 1,074,453</u>
Plan fiduciary net position				
Contributions - employer	\$ -	\$ -	\$ -	\$ -
Contributions - employee	-	-	-	-
Net investment income	-	-	-	-
Benefit payments, including refund of member contributions	-	-	-	-
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's net OPEB liability - ending	<u>\$ 971,955</u>	<u>\$ 991,793</u>	<u>\$ 1,025,577</u>	<u>\$ 1,074,453</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%
Covered - employee payroll	Not Available	\$ 1,245,973	\$ 1,109,696	\$ 1,181,810
City's net OPEB liability as a percentage of covered-employee payroll	0.00%	79.60%	92.42%	90.92%

City of Houghton, Michigan

**Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Employer Contributions
For the Year Ended June 30, 2021**

	2018	2019	2020	2021
Actuarially determined contribution	\$ 90,531	\$ 96,579	\$ 119,805	\$ 127,721
Contributions in relation to the actuarially determined contribution	(47,760)	(46,641)	(51,560)	(49,800)
Contribution deficiency (excess)	\$ 42,771	\$ 49,938	\$ 68,245	\$ 77,921
Covered - employee payroll	Not Available	\$ 1,245,973	\$ 1,109,696	\$ 1,181,810
Contributions as a percentage of covered-employee payroll	0.00%	3.74%	4.65%	4.21%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, 2021:

Methods and assumptions used to determine contribution rates:

Amortization method	Entry Age (level percentage of compensation, open)
Amortization period	11 years
Healthcare inflation assumption	N/A; benefits are a fixed stipend
Invest rate of return	N/A; this plan is not pre-funded
Discount rate	2.18%
Salary Scale	3.00%
Mortality Rates	Public General and Public Safety 2010 Employee and Healthy Retiree, Headcount weighted, MP-2020

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 1,723,400	\$ 1,751,400	\$ 1,759,021	\$ 7,621
Licenses and Permits	32,000	32,000	47,396	15,396
Federal Sources	-	-	102,145	102,145
State Sources	966,000	966,000	1,286,273	320,273
Charges for Services	612,400	612,400	472,067	(140,333)
Rentals	307,500	349,800	431,324	81,524
Interest Earnings	15,000	15,000	10,746	(4,254)
Other Revenue	5,700	5,700	56,743	51,043
TOTAL REVENUES	3,662,000	3,732,300	4,165,715	433,415
EXPENDITURES:				
Legislative:				
City Commission	29,000	29,000	22,761	6,239
General Government:				
City Manager	150,900	160,900	159,491	1,409
Elections	12,800	15,200	15,116	84
Accounting/Auditing	22,000	22,500	22,500	-
City Assessor	46,500	46,500	41,358	5,142
City Attorney	20,000	28,500	27,895	605
City Clerk	150,100	150,100	145,434	4,666
City Treasurer	58,000	58,000	53,663	4,337
Building and Grounds	191,900	221,900	169,444	52,456
Other General Government	105,900	124,300	112,583	11,717
Total General Government	758,100	827,900	747,484	80,416
Public Safety:				
Police	1,111,400	1,111,400	1,051,408	59,992
Task Force	161,000	161,000	130,964	30,036
Fire	193,200	193,200	134,407	58,793
Total Public Safety	1,465,600	1,465,600	1,316,779	148,821
Public Works:				
Department of Public Works	55,700	90,300	90,268	32
Street Lighting	140,100	149,900	149,849	51
Sidewalks and Curbs	24,800	24,800	19,760	5,040
Refuse Collection	215,800	236,400	235,564	836
Other Public Works	61,200	204,100	201,251	2,849
Total Public Works	497,600	705,500	696,692	8,808

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Recreation and Culture:				
Beach & RV Park	80,250	86,450	86,429	21
Dee Stadium	160,500	140,500	132,212	8,288
Park Maintenance	184,700	272,700	272,300	400
Total Recreation and Culture	425,450	499,650	490,941	8,709
Capital Outlay	-	-	-	-
Debt Service	440,600	440,600	547,726	(107,126)
Other Expenditures:				
Insurance and Bonds	57,000	57,000	57,475	(475)
Other	127,450	109,500	120,940	(11,440)
Total Other Expenditures	184,450	166,500	178,415	(11,915)
TOTAL EXPENDITURES	3,800,800	4,134,750	4,000,798	133,952
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(138,800)	(402,450)	164,917	567,367
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	5,700	5,700
Transfers Out	(186,200)	(186,200)	(151,365)	34,835
TOTAL OTHER FINANCING SOURCES (USES)	(186,200)	(186,200)	(145,665)	40,535
NET CHANGE IN FUND BALANCES	\$ (325,000)	\$ (588,650)	19,252	\$ 607,902
FUND BALANCE BEGINNING OF YEAR, (As Restated See Note 13)			1,858,585	
FUND BALANCE AT END OF YEAR			\$ 1,877,837	

**Required Supplementary Information
Budgetary Comparison Schedule
Major Streets Fund
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 1,186,200	\$ 1,186,200	\$ 1,051,445	\$ (134,755)
Charges for Services	187,500	187,500	-	(187,500)
Interest Earnings	5,000	5,000	5,848	848
TOTAL REVENUES	<u>1,378,700</u>	<u>1,378,700</u>	<u>1,057,293</u>	<u>(321,407)</u>
EXPENDITURES:				
Public Works	1,378,700	1,380,100	703,313	676,787
TOTAL EXPENDITURES	<u>1,378,700</u>	<u>1,380,100</u>	<u>703,313</u>	<u>676,787</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(1,400)</u>	<u>353,980</u>	<u>355,380</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	-	(250,000)	(250,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ (251,400)</u>	<u>103,980</u>	<u>\$ 355,380</u>
FUND BALANCE BEGINNING OF YEAR			<u>747,914</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 851,894</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Local Streets Fund
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 155,000	\$ 155,000	\$ 90,620	\$ (64,380)
State Sources	336,500	336,500	375,640	39,140
Interest Earnings	2,000	2,000	2,380	380
Other Revenue	2,000	2,000	593	(1,407)
TOTAL REVENUES	<u>495,500</u>	<u>495,500</u>	<u>469,233</u>	<u>(26,267)</u>
EXPENDITURES:				
Public Works	495,534	743,600	437,924	305,676
Debt Service	51,366	51,366	51,365	1
TOTAL EXPENDITURES	<u>546,900</u>	<u>794,966</u>	<u>489,289</u>	<u>305,677</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(51,400)</u>	<u>(299,466)</u>	<u>(20,056)</u>	<u>279,410</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	51,400	301,400	301,365	(35)
TOTAL OTHER FINANCING SOURCES (USES)	<u>51,400</u>	<u>301,400</u>	<u>301,365</u>	<u>(35)</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ 1,934</u>	281,309	<u>\$ 279,375</u>
FUND BALANCE BEGINNING OF YEAR			<u>379,635</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 660,944</u>	

Other Information

Other Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	Special Revenue Fund	Capital Project Fund	
	Loan Revolving	Public Improvement	Total
ASSETS:			
Cash and Equivalents - Unrestricted	\$ 159,556	\$ 66,299	\$ 225,855
Cash and Equivalents - Restricted	-	403	403
Accounts Receivable	-	418,204	418,204
Loans Receivable	220,258	-	220,258
	<u>220,258</u>	<u>-</u>	<u>220,258</u>
TOTAL ASSETS	<u><u>\$ 379,814</u></u>	<u><u>\$ 484,906</u></u>	<u><u>\$ 864,720</u></u>
LIABILITIES:			
Accounts Payable	\$ -	\$ 35,807	\$ 35,807
Due to Other Funds	-	464,273	464,273
	<u>-</u>	<u>464,273</u>	<u>464,273</u>
TOTAL LIABILITIES	<u>-</u>	<u>500,080</u>	<u>500,080</u>
DEFERRED INFLOWS OF RESOURCES:			
Loan Sources	220,258	-	220,258
	<u>220,258</u>	<u>-</u>	<u>220,258</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>220,258</u>	<u>-</u>	<u>220,258</u>
FUND BALANCES:			
Restricted	159,556	-	159,556
Unassigned	-	(15,174)	(15,174)
	<u>-</u>	<u>(15,174)</u>	<u>(15,174)</u>
TOTAL FUND BALANCES	<u>159,556</u>	<u>(15,174)</u>	<u>144,382</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 379,814</u></u>	<u><u>\$ 484,906</u></u>	<u><u>\$ 864,720</u></u>

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

	Special Revenue Fund	Capital Project Fund	
	Loan Revolving	Public Improvement	Total
REVENUES:			
Federal Sources	\$ -	\$ 941,200	\$ 941,200
State Sources	-	106,818	106,818
Interest Earnings	27,004	885	27,889
Other Revenue	-	183,700	183,700
TOTAL REVENUES	27,004	1,232,603	1,259,607
EXPENDITURES:			
Health and Welfare	125,600	1,319,447	1,445,047
TOTAL EXPENDITURES	125,600	1,319,447	1,445,047
NET CHANGE IN FUND BALANCES	(98,596)	(86,844)	(185,440)
FUND BALANCE BEGINNING OF YEAR, (As Restated See Note 13)	258,152	71,670	329,822
FUND BALANCE AT END OF YEAR	\$ 159,556	\$ (15,174)	\$ 144,382

City of Houghton, Michigan

Other Information
Downtown Development Authority Component Unit
Combining Balance Sheet and Statement of Net Position
June 30, 2021

	Downtown Development Authority	Adjustments	Statement of Net Position
ASSETS:			
Cash and Equivalents	\$ 836,826	\$ -	\$ 836,826
Capital Assets (Not Depreciated)	-	52,111	52,111
Capital Assets (Net of Accumulated Depreciation)	-	625,108	625,108
 TOTAL ASSETS	 836,826	 677,219	 1,514,045
DEFERRED OUTFLOWS OF RESOURCES			
OPEB Items	-	1,294	1,294
Pension Items	-	10,690	10,690
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 -	 11,984	 11,984
LIABILITIES AND FUND BALANCE:			
Liabilities			
Accounts Payable	11,148	-	11,148
Accrued Liabilities	1,753	-	1,753
Due to Other Governments	148	-	148
Accrued Interest Payable	-	737	737
Bonds Payable - Due in more than one year	-	765,000	765,000
Net Pension Liability	-	13,959	13,959
Net OPEB Liability	-	17,514	17,514
 TOTAL LIABILITIES	 13,049	 797,210	 810,259
DEFERRED INFLOWS OF RESOURCES			
OPEB Items	-	83	83
Pension Items	-	6,212	6,212
 TOTAL DEFERRED INFLOWS OF RESOURCES	 -	 6,295	 6,295
Fund Balance			
Restricted for DDA	823,777		
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 836,826		
NET POSITION:			
Net Investment in Capital Assets			677,219
Restricted for DDA			32,256
 TOTAL NET POSITION			 \$ 709,475

Other Information
Downtown Development Authority Component Unit
Combining Statement of Activities and Revenues, Expenditures,
and Changes in Fund Balance and Net Position
For the Year Ended June 30, 2021

	Downtown Development Authority	Adjustments	Statement of Activities
REVENUES:			
Property Taxes	\$ 202,053	\$ -	\$ 202,053
Charges for Service	3,378	-	3,378
Interest and Rents	1,325	-	1,325
	<u>206,756</u>	<u>-</u>	<u>206,756</u>
TOTAL REVENUES			
EXPENDITURES/EXPENSES			
Personnel Services	62,219	8,013	70,232
Supplies	14,407	-	14,407
Contractual Services	93,654	-	93,654
Equipment Rental	2,553	-	2,553
Utilities	6,243	-	6,243
Other	86,304	8,397	94,701
Depreciation	-	21,844	21,844
	<u>265,380</u>	<u>38,254</u>	<u>303,634</u>
TOTAL EXPENDITURES/EXPENSES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(58,624)</u>	<u>(38,254)</u>	<u>(96,878)</u>
OTHER FINANCING SOURCES (USES):			
Interest Expense	-	(737)	(737)
Debt Proceeds	765,000	(765,000)	-
	<u>765,000</u>	<u>(765,000)</u>	<u>(737)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCE	<u>706,376</u>	<u>(803,254)</u>	<u>(97,615)</u>
FUND BALANCES/NET POSITION AT BEGINNING OF YEAR	<u>117,401</u>	<u>689,689</u>	<u>807,090</u>
FUND BALANCES/NET POSITION AT END OF YEAR	<u>\$ 823,777</u>	<u>\$ (113,565)</u>	<u>\$ 709,475</u>

City of Houghton, Michigan

**Other Information
TIFA Component Unit
Combining Balance Sheet and Statement Net Position
June 30, 2021**

	TIFA	Adjustments	Statement of Net Position
ASSETS:			
Cash and Equivalents	\$ 874,364	\$ -	\$ 874,364
Accounts Receivable	111,601	-	111,601
Capital Assets (Net of Accumulated Depreciation)	-	5,580,850	5,580,850
TOTAL ASSETS	985,965	5,580,850	6,566,815
DEFERRED OUTFLOWS OF RESOURCES			
OPEB Items	-	3,320	3,320
Pension Items	-	27,414	27,414
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	30,734	30,734
LIABILITIES AND FUND BALANCE:			
Liabilities			
Accounts Payable	195,767	-	195,767
Accrued Liabilities	6,464	-	6,464
Due to Other Governments	224	-	224
Deferred Revenues	47,626	-	47,626
Net Pension Liability	-	35,796	35,796
Net OPEB Liability	-	44,912	44,912
TOTAL LIABILITIES	250,081	80,708	330,789
DEFERRED INFLOWS OF RESOURCES			
OPEB Items	-	212	212
Pension Items	-	15,931	15,931
TOTAL DEFERRED INFLOWS OF RESOURCES	-	16,143	16,143
Fund Balance			
Restricted for TIFA	735,884		
TOTAL LIABILITIES AND FUND BALANCE	\$ 985,965		
NET POSITION:			
Net Investment in Capital Assets			5,580,850
Restricted for DDA			669,767
TOTAL NET POSITION			\$ 6,250,617

City of Houghton, Michigan

Other Information
TIFA Component Unit
Combining Statement of Activities and Revenues, Expenditures,
and Changes in Fund Balance and Net Position
For the Year Ended June 30, 2021

	TIFA	Adjustments	Statement of Activities
	<u>TIFA</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES:			
Property Taxes	\$ 683,000	\$ -	\$ 683,000
Federal Sources	196,430	-	196,430
State Sources	394,775	-	394,775
Interest and Rents	5,355	-	5,355
	<u>1,279,560</u>	<u>-</u>	<u>1,279,560</u>
TOTAL REVENUES			
	<u>1,279,560</u>	<u>-</u>	<u>1,279,560</u>
EXPENDITURES/EXPENSES			
Personnel Services	145,755	10,884	156,639
Supplies	26,542	-	26,542
Contractual Services	461,726	-	461,726
Repairs and Maintenance	-	-	-
Equipment Rental	4,242	-	4,242
Utilities	12,485	-	12,485
Other	120,428	(6,573)	113,855
Depreciation	-	163,995	163,995
	<u>771,178</u>	<u>168,306</u>	<u>939,484</u>
TOTAL EXPENDITURES/EXPENSES			
	<u>771,178</u>	<u>168,306</u>	<u>939,484</u>
NET CHANGE IN FUND BALANCE	<u>508,382</u>	<u>(168,306)</u>	<u>340,076</u>
FUND BALANCES/NET POSITION AT BEGINNING OF YEAR, (As Restated, See Note 13)	<u>227,502</u>	<u>5,683,039</u>	<u>5,910,541</u>
FUND BALANCES/NET POSITION AT END OF YEAR	<u>\$ 735,884</u>	<u>\$ 5,514,733</u>	<u>\$ 6,250,617</u>

**Transit Fund
Schedule 1
Local Operating Revenue
For the Year Ended June 30, 2021**

	7/1/2020 to 9/30/2020	10/1/2020 to 6/30/2021	Total
Local Revenue:			
Fares	\$ 3,885	\$ 81,531	\$ 85,416
Contributions from Other City Funds	-	100,000	100,000
Other revenue	#REF!	508	#REF!
Interest	599	919	1,518
 Total Local Revenue	 #REF!	 \$ 182,958	 #REF!

**Transit Fund
Schedule 1A
Local Operating Revenue
Based on the September 30, 2020 Year End**

	10/1/2019 to 6/30/2020	7/1/2020 to 9/30/2020	Total
Local Revenue:			
Fares	\$ 74,517	\$ 3,885	\$ 78,402
Contributions from Other City Funds	115,000	-	115,000
Interest	-	599	599
 Total Local Revenue	 <u>\$ 189,517</u>	 <u>\$ 4,484</u>	 <u>\$ 194,001</u>

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2021

	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures			Prior Year's Expend.	Award Amount Remaining
				Total	Federal	State		
U.S. Department of Transportation								
State and Federal Operating Assistance Computations								
Based on Operating Expenses:								
Passed Through MDOT:								
CARES Operating Assistance- Section 5311	20.509	21-0266/210522	17,081	36,921	36,921	-	-	(19,840)
CARES Operating Assistance- Section 5311	20.509	211501NI/212595NI	83,395	142,058	142,058	-	-	(58,663)
Rural Transit Assistance Program (RTAP)	20.509	Unavailable	11,000	-	-	-	-	11,000
Capital Grants-Section 5339 (80/20)	20.509	208306NI	101,880	82,511	66,009	16,502	-	19,369
Capital Grants-Section 5339 (80/20)	20.509	206427	100,476	134,829	107,864	26,965	-	(34,353)
Passed Through MDOT:								
Operating Assistance - Act 51	N/A	N/A		150,561	-	150,561	-	(150,561)
Total Operating Assistance				\$ 367,901	\$ 352,852	\$ 194,028	\$ -	\$ (154,545)

This schedule is prepared on an accrual basis of accounting as described in the summary of significant accounting policies in Note 1 of the Notes to Financial Statements.

City of Houghton, Michigan

**Transit Fund
Schedule 2A
Federal and State Awards
Operating Revenue Only
For the Year Ended June 30, 2021**

	<u>7/1/2020 to 9/30/2020</u>	<u>10/1/2020 to 6/30/2021</u>	<u>Total</u>
Michigan Department of Transportation Local Bus Operating (Act 51)	\$ 14,793	\$ 135,768	\$ 150,561
Federal Transit Administration CARES Act	<u>36,921</u>	<u>142,058</u>	<u>178,979</u>
Total	<u>\$ 51,714</u>	<u>\$ 277,826</u>	<u>\$ 329,540</u>

City of Houghton, Michigan

**Transit Fund
Schedule 2B
Federal and State Awards
Operating Revenue Only
Based on the September 30, 2020 Year End**

	10/1/2019 to 6/30/2020	7/1/2020 to 9/30/2020	Total
Michigan Department of Transportation Local Bus Operating (Act 51)	\$ 140,261	\$ 14,793	\$ 155,054
Federal Transit Administration			
Section 5311	68,622	-	68,622
CARES Act	-	36,921	36,921
RTAP	1,319	-	1,319
Total	<u>\$ 210,202</u>	<u>\$ 51,714</u>	<u>\$ 261,916</u>

**Transit Fund
Schedule 3A
Operating Expenses Split Between a
September 30 and June 30 Year End
For the Year Ended June 30, 2021**

	7/1/2020 to 9/30/2020	10/1/2020 to 6/30/2021	Total
Expenses			
Labor	\$ 39,779	\$ 222,190	\$ 261,969
Fringe Benefits	27,994	137,733	165,727
Pension	3,105	12,801	15,906
Services	1,222	1,886	3,108
Materials and Supplies	16,183	65,046	81,229
Utilities	1,564	9,573	11,137
Casualty & Liability Costs	3,668	9,194	12,862
Miscellaneous Expenses	-	4,085	4,085
Depreciation	16,052	47,977	64,029
	<u>109,567</u>	<u>510,485</u>	<u>620,052</u>
Total Expenses	<u>\$ 109,567</u>	<u>\$ 510,485</u>	<u>\$ 620,052</u>

**Transit Fund
Schedule 3B
Operating Expenses By Program
Based on the September 30, 2020 Year End**

	10/1/2019 to 6/30/2020	7/1/2020 to 9/30/2021	Total
Expenses			
Labor	\$ 187,484	\$ 39,779	\$ 227,263
Fringe Benefits	118,976	27,994	146,970
Pension	10,052	3,105	13,157
Services	4,185	1,222	5,407
Materials and Supplies	48,706	16,183	64,889
Utilities	10,090	1,564	11,654
Casualty & Liability Costs	9,194	3,668	12,862
Miscellaneous Expenses	2,596	-	2,596
Depreciation	56,134	16,052	72,186
	<u>\$ 447,417</u>	<u>\$ 109,567</u>	<u>\$ 556,984</u>
Total Expenses			

City of Houghton, Michigan

**Transit Fund
OAR Schedule 3R
Nonurban Regular Service Revenue Report
Based on the September 30, 2020 Year End**

Code	Description	Amount
401	: Farebox Revenue	
40100	Passenger Fares	\$ 78,402
40400	Package Delivery/Meal Delivery Programs (cost allocation plan applied)	-
407	: NonTrans Revenue	
40710	Sales of Maintenance Services (cost allocation plan applied)	-
40799	Other NonTrans Revenue (Sale of Fuel)	-
408	: Local Revenue	
40910	Local Operating Assistance	115,000
40950	Local Service Contract/Local Source	-
411	: State Formula and Contracts	
41101	State Operating Assistance	155,054
413	: Federal Contracts	
41301	Federal Section 5311 (Operating Funds Only)	68,622
41361	CARES Act	36,921
41398	RTAP	1,319
414	: Other Revenue	
41400	Interest Income	599
440	: Other Revenue	
44000	Misc Income	#REF!
Total Revenues		#REF!

City of Houghton, Michigan

**Transit Fund
OAR Schedule 3E
Nonurban Regular Service Expense Report
Based on the September 30, 2020 Year End**

Code	Description	Operations	Maintenance	General Administration	Total
501	: Labor				
50101	Operators Salaries & Wages	\$ 155,101	\$ -	\$ -	\$ 155,101
50102	Other Salaries & Wages	-	41,675	30,487	72,162
502	: Fringe Benefits				
50200	Other Fringe Benefits	99,309	26,001	18,371	143,681
50210	DC Pensions	5,804	6,128	-	11,932
50220	DB Pensions	-	148	4,366	4,514
503	: Services				
50302	Advertising Fees	-	-	1,508.00	1,508
50305	Audit Costs	-	-	2,700	2,700
50399	Other Services (all fuel outside transit operations)	1,134	-	65	1,199
504	: Materials and Supplies				
50401	Fuel & Lubricants	15,856	-	-	15,856
50402	Tires & Tubes	4,157	-	-	4,157
50499	Other Materials & Supplies	37,761	6,242	873	44,876
505	: Utilities				
50500	Utilities	362	11,292	-	11,654
506	: Insurance				
50603	Liability Insurance	12,862	-	-	12,862

City of Houghton, Michigan

**Transit Fund
OAR Schedule 3E
Nonurban Regular Service Expense Report
Based on the September 30, 2020 Year End**

Code	Description	Operations	Maintenance	General Administration	Total
509	: Miscellaneous Expenses				
50903	Association Dues & Subscriptions	-	-	700	700
50999	Other Misc. Expenses (Building Maintenance, Trash Removal,	-	-	1,896	1,896
513	: Depreciation				
51300	Depreciation	72,186	-	-	72,186
550	: Ineligible Expenses				
2207	Ineligible Depreciation	-	-	-	72,186
55009	Ineligible Percent of Association Dues	-	-	130	130
574	: Ineligible Expenses				
57402	Ineligible RTAP	1,319	-	-	1,319
580	: Ineligible Expenses				
58020	Ineligible DB pension	-	-	-	9,759
58040	Ineligible DB OPEB				3,734
Total Expenses					556,984
Total Ineligible Expenses					87,128
Total Eligible Expenses					469,856

Public Service

Code	Description	Weekday DR	Saturday DR	Sunday DR	Total
610	Vehicle Hours	9,450	-	-	9,450
611	Vehicle Miles	63,268	-	-	63,268
615	Unlinked Passenger Trips - Regular	30,402	-	-	30,402
616	Unlinked Passenger Trips - Elderly	8,074	-	-	8,074
617	Unlinked Passenger Trips - Persons w/Disabilities	1,428	-	-	1,428
618	Unlinked Passenger Trips -Elderly Persons w/Disabilities	3,040	-	-	3,040
622	Total Demand-Response Unlinked Passenger Trips	11,834	-	-	11,834
624	Total Deviated Route Unlinked Passenger Trips	31,110	-	-	31,110
625	Days Operated	254	-	-	254

Total Passengers: 42944

Vehicle Information

Code	Description	Quantity
651	Total Deviated Route Vehicles	3
652	Deviated Route Vehicle w/ Lifts	2
655	Total Demand - Response Vehicles	6
656	Demand - Response Vehicle w/ Lifts	5
658	Total Transit Vehicles	9

Total Vehicles: 14

Miscellaneous Information

Code	Description	Quantity DR
634	Deviated Route Hours	1,861
635	Deviated Route Miles	21,129
660	Diesel/Gasoline Gallons Consumed	9,008
661	Total Transit Agency Employees (Full-Time Equivalents)	8
662	Total Revenue Vehicle Operators (Full-Time Equivalents)	6

Transit Fund
Schedule 4
Operating Assistance Calculation
Based on the September 30, 2020 Year End

	10/1/2019 to 9/30/2020								
Total Expenses	\$ 556,984								
Less Ineligible Expenses									
Depreciation	72,186								
Cost of Maintenance to Outside Agencies	-								
Cost of Fuel Sold to Outside Agencies	-								
Ineligible DB Expenses	9,759								
Ineligible OPEB expenses	3,734								
Ineligible Refunds and Credits	-								
RTAP	1,319								
Association Dues	130								
Total Ineligible Expenses	\$ 87,128								
Total State Eligible Expenses	\$ 469,856								
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Eligible Expenses for State Reimbursement</td> <td style="text-align: right;">\$ 469,856</td> </tr> <tr> <td>x Reimbursement Percentage</td> <td style="text-align: right; border-bottom: 1px solid black;">36.7920%</td> </tr> <tr> <td>State Operating Assistance</td> <td style="text-align: right; border-bottom: 3px double black;">\$ 172,869</td> </tr> </table>		Eligible Expenses for State Reimbursement	\$ 469,856	x Reimbursement Percentage	36.7920%	State Operating Assistance	\$ 172,869		
Eligible Expenses for State Reimbursement	\$ 469,856								
x Reimbursement Percentage	36.7920%								
State Operating Assistance	\$ 172,869								
Total Federal Eligible Expenses	\$ 469,856								
Less Additional Federal Ineligible Expenses Per Uniform Guidance Audit Costs	-								
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Eligible Expenses for Federal Reimbursement</td> <td style="text-align: right;">469,856</td> </tr> <tr> <td>x Reimbursement Percentage</td> <td style="text-align: right; border-bottom: 1px solid black;">36.00%</td> </tr> <tr> <td>Less Federal Assistance Recognized Under CARES Act funding</td> <td style="text-align: right;">36,921</td> </tr> <tr> <td>Calculated Federal Section 5311 Operating Assistance</td> <td style="text-align: right; border-bottom: 3px double black;">\$ 132,227</td> </tr> </table>		Eligible Expenses for Federal Reimbursement	469,856	x Reimbursement Percentage	36.00%	Less Federal Assistance Recognized Under CARES Act funding	36,921	Calculated Federal Section 5311 Operating Assistance	\$ 132,227
Eligible Expenses for Federal Reimbursement	469,856								
x Reimbursement Percentage	36.00%								
Less Federal Assistance Recognized Under CARES Act funding	36,921								
Calculated Federal Section 5311 Operating Assistance	\$ 132,227								

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

KENNETH A. TALSMA, CPA, PRINCIPAL
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LESLIE A. BOHN, CPA
TORI N. KRUISE, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

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

To the City Council
City of Houghton
Houghton, MI 49931

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 Houghton, Michigan as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Houghton, Michigan's basic financial statements and have issued our report thereon dated January 31, 2022.

Internal Control Over Financial Reporting

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

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

To the City Council
City of Houghton

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 and 2021-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Houghton, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002.

City of Houghton, Michigan's Response to Findings

The City of Houghton, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Houghton, Michigan's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



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

January 31, 2022



ANDERSON, TACKMAN & COMPANY, PLC
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORMED GUIDANCE**

To the City Council
City of Houghton
Houghton, MI 49931

Report on Compliance for Each Major Federal Program

We have audited the City of Houghton, Michigan's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Houghton, Michigan's major federal programs for the year ended June 30, 2021. City of Houghton, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

City of Houghton, Michigan's basic financial statements include the operations of Houghton Housing Commission which expended \$222,900 in federal awards which is not included in the City of Houghton, Michigan's schedule of federal awards during the year ended June 30, 2021. Our audit, described below, did not include the operations of Houghton Housing Commission because they performed a separate financial audit and an audit of compliance.

Managements Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the City of Houghton, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Houghton, Michigan's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

To the City Council
City of Houghton

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Houghton, Michigan's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Houghton, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance


Management of the City of Houghton, Michigan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Houghton, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Houghton, Michigan's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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


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

January 31, 2022

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021**

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
<i>Community Facilities Loans and Grants Cluster</i>				
Community Facilities Loans and Grants	10.766	N/A	N/A	\$ 122,600
Water and Waste Disposal Systems for Rural Communities	10.760	Direct	N/A	<u>3,352,000</u>
Total U.S. Department of Agriculture				<u>3,474,600</u>
U.S. Department of Housing & Urban Development				
Community Development Block Grant	14.228	MEDC	MSC 219001-RR	244,995
Community Development Block Grant	14.228	MEDC	MSC 218004-CSB	5,637
Community Development Block Grant	14.228	MEDC	MSC 219002-RR	<u>1,160</u>
Total U.S. Department of Housing & Urban Development				<u>251,792</u>
U.S. Department of Transportation				
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	20.205	MDOT	20009923CON	<u>41,105</u>
<i>Federal Transit Cluster</i>				
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	MDOT	208306NI	66,009
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	MDOT	206427	<u>107,864</u>
Subtotal Program & Cluster				<u>173,873</u>
CARES Act Operating Assistance	20.509	MDOT	210266/210522	36,921
CARES Act Operating Assistance	20.509	MDOT	211501NI/212595NII	<u>142,058</u>
Subtotal Program				<u>178,979</u>
Total U.S. Department of Transportation				<u>393,957</u>
U.S. Department of Treasury				
Coronavirus Relief Fund	21.019	MDT	FRHPP0920	10,000
Coronavirus Relief Fund	21.019	MDT	CLRGG17-0000	<u>52,207</u>
Total U.S. Department of Treasury				<u>62,207</u>
U.S. Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	MSP	061-39360-00	<u>884,671</u>
Total U.S. Department of Homeland Security				<u>884,671</u>
Total Expenditures of Federal Awards				<u>\$ 5,067,227</u>

See accompanying notes to the schedule of expenditures of federal awards.

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Houghton, Michigan under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Houghton, Michigan it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Houghton, Michigan.

NOTE B - COGNIZANT AGENCY

The City has not been assigned a cognizant agency. Therefore, the City is under the general oversight of the U.S. Department of Agriculture which provided the greatest amount of direct federal funding to the City during 2021.

NOTE C - INDIRECT COST

For purposes of charging indirect costs to federal awards, the City has elected to use the 10% de minimis cost rate as permitted by CFR Section 200.414 of the Uniform Guidance, though in all federal grants received in the current fiscal year no indirect costs were charged to the grants.

NOTE D - RECONCILIATION TO THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

The following is a reconciliation of the amounts reported on the basic financial statements to the Schedule of Expenditures of Federal Awards:

Total Federal Sources per Financial Statements	
Primary Government	\$ 2,948,797
Total Federal Sources per Financial Statements	
Component Units	196,430
Federal Grants U.S.D.A. Bonds	<u>1,922,000</u>
Total Federal Revenue Recognized per Schedule of	
Expenditures of Federal Awards	<u>\$ 5,067,227</u>

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting: Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs: Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 (CFR) part 200, Uniform Guidance?	No

Identification of Major Programs

CFDA NUMBERS

Name of Federal Program or Cluster

10.760	Water and Waste Disposal Systems for Rural Communities
97.036	Disaster Grants – Public Assistance
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Noncompliance with State Statues

Expenditures in Excess of Appropriations—Budgetary Funds

Finding 2021-001

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Public Act 621 of 1978, Section 18(1), as amended, the Uniform Budgeting and Accounting Act.

Condition: Our examination of procedures used by the City of Houghton to adopt and maintain operating budgets for the City’s budgetary funds revealed the following instance of noncompliance with Public Act 621 of 1978, Section 18(1), as amended, the Uniform Budgeting and Accounting Act.

The City’s 2020/2021 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level. As detailed, actual 2020/2021 expenditures exceeded the Board’s approved budget allocations see note 11 for further detail.

During the fiscal year ended June 30, 2021, expenditures were incurred in excess of amounts appropriated in the amended budget for the general funds

Cause: Unknown.

Effect: Condition violates State Law.

Recommendation: We recommend that the City and personnel responsible for administering the activities of the various funds of the City, develop budgetary control procedures for the general fund and special revenues funds, which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

Planned Corrective Action: Management has agreed to correct the problem by monitoring the budgets more closely and performing budget amendments on a timely basis.

- *Contact Person(s) Responsible for Correction:*
Jody Reynolds, Treasurer

- *Anticipated Completion Date:*
2021-2022 fiscal year.

Section II – Financial Statement Findings (Continued)

Noncompliance with State Statutes

Deficit Unrestricted Net Position

Finding 2021-002

Criteria: The deficit in unrestricted net position/fund balance is contrary to the provisions of Section 15(2) of Public Act 2 of 1968, as amended.

Condition: The City’s Capital Project Fund has a deficit in unassigned fund balance.

Cause: The Capital Project Fund has a negative unassigned fund balance of \$15,174.

Effect: The City is in noncompliance with Public Act 2 of 1968, as amended.

Recommendation: We recommend that the City develop a plan to eliminate the deficits as soon as possible.

Planned Corrective Action: The City contacted the State and was told at that time a deficit reduction plan should not be filed until the State contacted them, through a letter, to submit a deficit reduction plan.

- *Contact Person(s) Responsible for Correction:*
Jody Reynolds, Treasurer

- *Anticipated Completion Date:*
As soon as possible.

Section III – Federal Award Findings and Questioned Costs

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.



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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the City Council
City of Houghton
Houghton, MI 49931

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Houghton, Michigan, for the year ended June 30, 2021, and have issued our report thereon dated January 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information about our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and the Uniform Guidance

As stated in our engagement letter dated September 13, 2021, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider the City of Houghton, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the City of Houghton, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also, in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about the City of Houghton, Michigan's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the City of Houghton, Michigan's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it does not provide a legal determination on the City of Jordan, Michigan's compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis and budgetary comparison schedules, which supplement(s) the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on combining fund financial statements and schedule of federal awards, which accompany the financial statements but are not RSI. Our responsibility for this other information, as described by professional standards, is to evaluate the presentation of the other information in relation to the financial statements as a whole and to report on whether the other information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on September 19, 2021.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Houghton, Michigan are described in Note 1 to the financial statements. One new accounting policy was adopted regarding GASB Statement 84 and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be \$0.
- Management's estimate of the Annual Required Contribution for pension benefits was based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.

The financial statements disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion units, financial statements taken as a whole.

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 31, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted no material matters involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with *Government Auditing Standards* of the basic financial statement audit report.

Policies

It was noted in our review of the City policies that the City does not currently have approved policies for any of the following items: capital assets policy, fund balance policy, conflict of interest policy (one covering all employees), fraud policy (including whistle blower protections), and policies that are required related to federal granting under the uniform guidance. We recommend that the City research and adopt policies related to all of the above noted items, and research the current personnel policy to expand it to include all personal related items.

Journal Entry Procedures

It was noted in our review of the Journal entry process that there currently is no approval or review of journal entries completed before they are posted to the ledger. We recommend that the City implement a review and approval process in the journal entries procedures prior to the posting of journal entries to the ledger.

Noncompliance with GASB 84

It was noted in our review of the agency activities that the City is currently booking City activities in agency funds in violation of GASB 84. We recommend that the City review GASB 84 and the agency fund activities to ensure that all city related activities are posted to the operational funds and not recorded in Agency funds in compliance with GASB 84.

Transmittal Procedures

It was noted that when transmittal are received from other departments they are not currently signing the transmittal form as a attestation to the information and money provided. We recommend that this procedure be updated to include a signature to all transmittals used by the City departments.

Credit Card Transactional Fee's

It was noted in our review of the credit card processing contract that the City is currently paying transactional fees related to some of the credit card payments they are receiving. We recommend that the City review credit card processors that will allow them to have the user pay these fees, so that these fees are not placing a burden on all tax payors for an individual's transactions.

Trust Account Activities

It was noted in our review of the trust account activity that the City is currently recording operational expenditures related to other funds in a City trust funds. We recommend that the City code all operational expenditures in the funds in which they are related, and that the trust fund only be used for the holding of payments received for, investment of, and payment of future benefits, in compliance with the state chart of accounts.

Upcoming Standards

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit www.gasb.org. If you have questions regarding the applicability, timing, or implementation, please contact us.

GASB 87 – Single Approach for Reporting Leases

Effective periods beginning after 6/15/2021 (your FY 2022) extend implementation by GASB 95

The Governmental Accounting Standards Board (GASB) issued guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The single approach is based on the principle that leases are financing of the right to use an underlying asset.

GASB Statement No. 87, *Leases*, provides guidance for lease contracts for nonfinancial assets – including vehicles heavy equipment, and buildings – but excludes nonexchange transactions, including donated assets, and leases of intangible assets.

Under the new Statement, a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements.

A lease also will report the following in its financial statements:

- Amortization expense for using the lease asset (similar to depreciation) over the shorter of the term of the lease or the useful life of the underlying asset.
- Interest expense on the lease liability.
- Note disclosures about the lease, including a general description of the leasing arrangement, the amount of the lease assets recognized, and a schedule of future lease payment to be made.

Limited exceptions to the single-approach guidance are provided for:

- Short-term leases, defined as lasting a maximum of 12 months at inception, including any options to extend.
- Financial purchases.
- Certain regulated leases, such as between municipal airports and air carriers.

GASB 89 – Accounting for Interest Cost Incurred Before the End of a Construction

Period, Effective for fiscal years beginning after December 15, 2020 (City's fiscal year 2022) extend implementation by GASB 95

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period.

Such interest cost includes all interest that was previously accounted for in accordance with the requirements of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statement prepared using the economic resources measurement focus.

GASB 91 – Conduit Debt Obligations

Period, Effective for fiscal years beginning after December 15, 2021 (City's fiscal year 2023) extend implementation by GASB 95

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and our knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Conclusion

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

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



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

January 31, 2022