

CITY OF ALGONAC
St. Clair County, Michigan
AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

CITY OF ALGONAC

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McBride - Manley

& COMPANY P.C.



CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

December 9, 2019

City of Algonac
805 St. Clair River Drive
Algonac, Michigan 48001

Honorable Mayor and City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF ALGONAC as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Algonac's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Algonac, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and respective budgetary comparison for the General, Local, and Major Street Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 and pension and OPEB schedules on pages 43-50, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Algonac's basic financial statements. The accompanying supplementary information and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 accompanying supplementary information and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019, on our consideration of the City of Algonac'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 Algonac'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 Algonac's internal control over financial reporting and compliance.

Respectfully submitted,



MCBRIDE-MANLEY & COMPANY P.C.
Certified Public Accountants

CITY OF ALGONAC
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements.

The City as a Whole

The City's combined net position increased 2% compared to last year from \$19.6 million to \$19.9 million. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase of approximately \$300,000 during the year (4% increase). The business-type activities experienced a \$6,000 increase in net position. In a condensed format, the table below shows a comparison of the net position (in thousands of dollars) as of the current date to the prior year:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current Assets	\$ 4,105	\$ 3,828	\$ 3,014	\$ 3,118	\$ 7,119	\$ 6,946
Noncurrent Assets	5,668	5,585	9,202	9,319	14,870	14,904
Deferred Outflows	<u>272</u>	<u>42</u>	<u>142</u>	<u>21</u>	<u>414</u>	<u>63</u>
Total Assets and Deferred Outflows	<u>10,045</u>	<u>9,455</u>	<u>12,358</u>	<u>12,458</u>	<u>22,403</u>	<u>21,913</u>
Long-Term Debt Outstanding	1,027	799	799	901	1,826	1,700
Other Liabilities	224	140	387	363	611	503
Deferred Inflows	<u>1</u>	<u>60</u>	<u>1</u>	<u>29</u>	<u>2</u>	<u>89</u>
Total Liabilities and Deferred Inflows	<u>1,252</u>	<u>999</u>	<u>1,187</u>	<u>1,293</u>	<u>2,439</u>	<u>2,292</u>
Net Position						
Invested in Capital Assets - Net of Debt	5,416	5,314	8,604	8,470	14,020	13,784
Restricted	1,160	1,071	1,052	928	2,212	1,999
Unrestricted	<u>2,217</u>	<u>2,071</u>	<u>1,515</u>	<u>1,767</u>	<u>3,732</u>	<u>3,838</u>
Total Net Position	<u>\$ 8,793</u>	<u>\$ 8,456</u>	<u>\$11,171</u>	<u>\$11,165</u>	<u>\$19,964</u>	<u>\$19,621</u>

Unrestricted net position, the part of net position that can be used to finance day to day operations, increased by approximately \$150,000 for the governmental activities. The current level of unrestricted net position for our governmental activities stands at \$2.2 million, or about 77% of expenses. This is within the targeted range set by the City during its last budget process.

CITY OF ALGONAC
Management's Discussion and Analysis
For the Year Ended June 30, 2019

The following table shows the changes of the net position (in thousands of dollars) as of the current date to the prior year:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Program Revenues						
Charges for Services	\$ 782	\$ 776	\$ 1,735	\$ 1,732	\$ 2,517	\$ 2,508
Operating Grants and Contributions	594	596	-	-	594	596
Capital Grants and Contributions	7	502	-	-	7	502
General Revenues						
Property Taxes	1,321	1,268	-	-	1,321	1,268
State-Shared Revenues	411	396	-	-	411	396
Unrestricted Investment Earnings	56	13	29	9	85	22
Other	<u>51</u>	<u>66</u>	<u>122</u>	<u>118</u>	<u>173</u>	<u>184</u>
Total Revenues	<u>3,222</u>	<u>3,617</u>	<u>1,886</u>	<u>1,859</u>	<u>5,108</u>	<u>5,476</u>
Program Expenses						
Legislative	22	17	-	-	22	17
General Government	664	647	-	-	664	647
Public Safety	1,053	1,002	-	-	1,053	1,002
Highways and Streets	227	202	-	-	227	202
Public Works	486	458	-	-	486	458
Planning and Economic Development	2	6	-	-	2	6
Recreation and Cultural	344	347	-	-	344	347
Other	87	91	-	-	87	91
Water and Sewer	<u>-</u>	<u>-</u>	<u>1,880</u>	<u>1,741</u>	<u>1,880</u>	<u>1,741</u>
Total Expenses	<u>2,885</u>	<u>2,770</u>	<u>1,880</u>	<u>1,741</u>	<u>4,765</u>	<u>4,511</u>
Change in Net Position	<u>\$ 337</u>	<u>\$ 847</u>	<u>\$ 6</u>	<u>\$ 118</u>	<u>\$ 343</u>	<u>\$ 965</u>

The City's net position continues to remain healthy. The City's total net position increased by \$340,000 due to the operations and budgeting of revenues and expenses for the governmental activities.

Governmental Activities

The City's total governmental revenues decreased by approximately \$395,000, primarily due to a decrease in grants and contributions from the previous year. Expenses of the governmental activities increased by \$115,000. This was due primarily to an increase in pension contributions as recommended by MERS.

Business-Type Activities

The City's business-type activities consist of the Water and Sewer Fund. We provide water and sewer treatment to all City residents.

CITY OF ALGONAC
Management's Discussion and Analysis
For the Year Ended June 30, 2019

The City's Funds

Our analysis of the City's major funds begins on page 9, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds include the General Fund, and the Major and Local Street Funds, and the Capital Projects Fund.

The General Fund pays for most of the City's governmental services. The most significant are public safety and public works, which incurred expenditures of approximately \$1.5 million. These services are supported by general tax revenues of the City and State revenue sharing. These two areas represent approximately 60% of the General Fund's total revenues.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. The total budgeted expenditures for the General Fund were decreased by approximately 1% during the year. The City's departments overall stayed within the budget, resulting in total expenditures \$85,000 below the budget. The General Fund's fund balance increased by approximately \$197,000 from a year ago.

Capital Asset and Debt Administration

At the end of June 30, 2019, the City had approximately \$14 million invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. In addition, the City has invested significantly in streets. Streets constructed prior to July 1, 2003, are not reported on the City's financial statements.

There are no commitments made for capital expenditures, there have been no changes in credit ratings, and there are no debt limitations that may affect future financing.

At the end of the fiscal year, the City had bonds outstanding of \$428,590 for the Water and Sewer Funds, with scheduled repayments occurring through fiscal year 2023.

Economic Factors and Next Year's Budgets and Rates

The City's budget for the year ending June 30, 2020, kept Operating Mills at the same level as in the last few years and is projecting a 4% increase in total revenues. Because of the impact of Proposal A, the City needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow by less than inflation, before considering new property additions.

Contacting the City Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Treasurer's office.

CITY OF ALGONAC
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 3,097,774	\$ 1,380,703	\$ 4,478,477
Investments	784,540	--	784,540
Restricted cash	--	1,227,730	1,227,730
Accounts and assessment receivable	40,815	252,577	293,392
Due from State	143,611	--	143,611
Due from other units of government	21,568	7,337	28,905
Prepaid and other assets	16,312	2,629	18,941
Restricted receivables and deposits - expendable	--	143,089	143,089
Total Current Assets	4,104,620	3,014,065	7,118,685
<i>Noncurrent Assets</i>			
Fixed assets, net of accumulated depreciation	5,417,919	9,033,763	14,451,682
Unamortized bond discount	--	1,800	1,800
Net OPEB asset	249,891	166,594	416,485
Total Assets	9,772,430	12,216,222	21,988,652
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	272,570	142,225	414,795
Total Deferred Outflows of Resources	272,570	142,225	414,795
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable	180,132	137,646	317,778
Accrued wages and benefits	15,273	5,732	21,005
Due to other units and taxpayers	10,900	--	10,900
Accrued interest	--	2,589	2,589
Current portion of long-term debt	1,512	241,667	243,179
Accrued vacation pay	16,312	--	16,312
Total Current Liabilities	224,129	387,634	611,763
<i>Noncurrent Liabilities</i>			
Bonds and loans payable	--	186,923	186,923
Long-term obligations, net of current portion	126	--	126
Accrued sick pay	20,117	14,416	34,533
Net pension liability	1,006,272	597,459	1,603,731
Total Liabilities	1,250,644	1,186,432	2,437,076
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	1,057	705	1,762
Total Deferred Inflows of Resources	1,057	705	1,762
NET POSITION			
Invested in fixed assets, net of related debt	5,416,281	8,604,383	14,020,664
<i>Restricted for:</i>			
Highways and streets	1,115,753	--	1,115,753
Library	43,897	--	43,897
Asset replacement - expendable	--	1,051,735	1,051,735
<i>Unrestricted</i>	2,217,368	1,515,192	3,732,560
Total Net Position	\$ 8,793,299	\$ 11,171,310	\$ 19,964,609

CITY OF ALGONAC
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	\$ 22,323	\$ --	\$ --	\$ --
General government	663,970	335,030	--	3,163
Public safety	1,053,602	52,837	3,656	--
Public works	486,055	302,736	--	--
Planning and zoning	1,948	9,343	--	--
Recreation and cultural	343,694	44,070	99,461	4,232
Highways and streets	226,933	37,896	491,061	--
Administrative charges	37,896	--	--	--
Equipment rental	48,720	--	--	--
Total Governmental Activities	2,885,141	781,912	594,178	7,395
Business-type Activities:				
Sewer	682,499	603,135	--	--
Water	1,197,361	1,131,941	--	--
Total Business-type Activities	1,879,860	1,735,076	--	--
Total Primary Government	\$ 4,765,001	\$ 2,516,988	\$ 594,178	\$ 7,395

General Purpose Revenues and Transfers:

Revenues

- Property taxes
- Distributions from State
- Miscellaneous revenue
- Interest revenue
- Equipment rental
- Debt service taxes

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Period

Net Position at End of Period

Net (Expense) Revenue		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (22,323)	\$ --	\$ (22,323)
(325,777)	--	(325,777)
(997,109)	--	(997,109)
(183,319)	--	(183,319)
7,395	--	7,395
(195,931)	--	(195,931)
302,024	--	302,024
(37,896)	--	(37,896)
(48,720)	--	(48,720)
<u>(1,501,656)</u>	<u>--</u>	<u>(1,501,656)</u>
--	(79,364)	(79,364)
--	(65,420)	(65,420)
--	(144,784)	(144,784)
\$ (1,501,656)	\$ (144,784)	\$ (1,646,440)
1,321,395	--	1,321,395
411,158	--	411,158
39,516	--	39,516
55,634	28,681	84,315
11,675	--	11,675
--	122,442	122,442
<u>1,839,378</u>	<u>151,123</u>	<u>1,990,501</u>
337,722	6,339	344,061
<u>8,455,577</u>	<u>11,164,971</u>	<u>19,620,548</u>
\$ 8,793,299	\$ 11,171,310	\$ 19,964,609

CITY OF ALGONAC
Balance Sheet
Governmental Funds
June 30, 2019

Special Revenue

	Special Revenue		
	General	Major Street	Local Street
ASSETS			
Cash and cash equivalents	\$ 1,115,266	\$ 786,134	\$ 312,618
Investments	784,540	--	--
Accounts and assessment receivable	26,374	--	--
Due from State	71,083	51,757	20,771
Due from other units of government	21,568	--	--
Total Assets	2,018,831	837,891	333,389
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 2,018,831	\$ 837,891	\$ 333,389
LIABILITIES			
Accounts payable	\$ 124,642	\$ 1,113	\$ 53,026
Accrued wages and benefits	13,885	151	1,237
Due to other units and taxpayers	10,900	--	--
Total Liabilities	149,427	1,264	54,263
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	1,805	--	--
Total Liabilities and Deferred Inflows of Resources	151,232	1,264	54,263
FUND BALANCE			
Restricted	--	836,627	279,126
Committed	25,317	--	--
Unassigned	1,842,282	--	--
Total Fund Balance	1,867,599	836,627	279,126
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,018,831	\$ 837,891	\$ 333,389

Capital Projects

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 255,568	\$ 40,807	\$ 2,510,393
--	--	784,540
10,000	4,441	40,815
--	--	143,611
--	--	21,568
<u>265,568</u>	<u>45,248</u>	<u>3,500,927</u>
--	--	--
<u>\$ 265,568</u>	<u>\$ 45,248</u>	<u>\$ 3,500,927</u>

\$ --	\$ 1,351	\$ 180,132
--	--	15,273
--	--	10,900
<u>--</u>	<u>1,351</u>	<u>206,305</u>
--	--	1,805
<u>--</u>	<u>1,351</u>	<u>208,110</u>

--	43,897	1,159,650
265,568	--	290,885
--	--	1,842,282
<u>265,568</u>	<u>43,897</u>	<u>3,292,817</u>
<u>\$ 265,568</u>	<u>\$ 45,248</u>	<u>\$ 3,500,927</u>

CITY OF ALGONAC

**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019**

Total Fund Balance - Governmental Funds	\$	3,292,817
Net Position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements		778,306
Receivables not available to pay current liabilities are deferred in the governmental funds		1,805
Compensated absences for amounts due after one year are accrued in the entity-wide statements but not reflected in the fund level statements. These are expensed as paid in the fund level statements but expensed as incurred in the Statement of Activities		(36,429)
Capital assets are reported as expenditures in the governmental funds; however, these costs are capitalized and depreciated on the Statement of Net Position		5,226,994
Long-term liabilities are reflected in Statement of Net Position but omitted from the fund level Balance Sheets		(1,638)
Prepaid expenses treated as assets in Statement of Net Position, expensed in governmental fund statements		16,312
Obligations for retiree health care not reflected on fund level statements, reflected on entity-wide statements		202,216
Net pension liability reflected in Statement of Net Position but omitted from the fund level Balance Sheets		(687,084)
Total Net Position-Governmental Funds	\$	8,793,299

CITY OF ALGONAC

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019**

	<u>Special Revenue</u>		
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
Revenues			
Property taxes	\$ 1,321,395	\$ --	\$ --
Distributions from State	428,746	297,385	168,328
Distributions from local government	--	--	25,348
Licenses and permits	120,201	--	--
Miscellaneous revenue	63,679	--	--
Refuse collections	302,736	--	--
Rent	61,989	--	--
Administrative charges	212,964	--	--
Contributions from other local units	18,632	--	--
Contributions from others	--	--	--
Charges for services	30,503	--	--
Fines and forfeitures	3,244	--	--
Interest revenue	34,976	7,796	3,986
Total Revenues	<u>2,599,065</u>	<u>305,181</u>	<u>197,662</u>
Expenditures			
<i>Current</i>			
Legislative	22,323	--	--
General government	694,835	--	--
Public safety	1,020,606	--	--
Public works	469,318	--	--
Planning and zoning	1,948	--	--
Recreation and cultural	157,920	--	--
Highways and streets	--	31,829	54,664
<i>Debt Service</i>			
Debt-principal	1,386	--	--
<i>Intergovernmental</i>			
Administrative charges	--	27,216	10,680
Equipment rental	28,352	6,682	13,627
<i>Capital Outlay</i>			
Recreation and cultural	--	--	--
Highways and streets	--	--	271,468
General government	--	--	--
Total Expenditures	<u>2,396,688</u>	<u>65,727</u>	<u>350,439</u>
Excess of Revenues Over (Under) Expenditures	<u>202,377</u>	<u>239,454</u>	<u>(152,777)</u>
Other Financing Sources (Uses)			
Transfers from other funds	--	--	146,800
Transfers to other funds	(5,000)	(146,800)	--
Net Other Financing Sources (Uses)	<u>(5,000)</u>	<u>(146,800)</u>	<u>146,800</u>
Net Change in Fund Balance	197,377	92,654	(5,977)
<i>Fund Balance at Beginning of Period</i>	1,670,222	743,973	285,103
Fund Balance at End of Period	<u>\$ 1,867,599</u>	<u>\$ 836,627</u>	<u>\$ 279,126</u>

See accompanying notes.

Capital Projects

<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ --	\$ --	\$ 1,321,395
--	--	894,459
--	--	25,348
--	--	120,201
--	22,841	86,520
--	--	302,736
--	--	61,989
--	--	212,964
--	5,000	23,632
76,410	--	76,410
--	--	30,503
--	--	3,244
<u>2,722</u>	<u>445</u>	<u>49,925</u>
<u>79,132</u>	<u>28,286</u>	<u>3,209,326</u>
--	--	22,323
--	--	694,835
--	--	1,020,606
--	--	469,318
--	--	1,948
--	28,673	186,593
--	--	86,493
--	--	1,386
--	--	37,896
--	59	48,720
203,870	--	203,870
--	--	271,468
<u>30,220</u>	<u>--</u>	<u>30,220</u>
<u>234,090</u>	<u>28,732</u>	<u>3,075,676</u>
<u>(154,958)</u>	<u>(446)</u>	<u>133,650</u>
--	5,000	151,800
<u>--</u>	<u>--</u>	<u>(151,800)</u>
<u>--</u>	<u>5,000</u>	<u>--</u>
<u>(154,958)</u>	<u>4,554</u>	<u>133,650</u>
420,526	39,343	3,159,167
<u>\$ 265,568</u>	<u>\$ 43,897</u>	<u>\$ 3,292,817</u>

CITY OF ALGONAC

**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Property taxes	\$ 1,313,950	\$ 1,319,975	\$ 1,321,395	\$ 1,420
Distributions from State	417,925	428,740	428,746	6
Licenses and permits	115,970	116,560	120,201	3,641
Other revenue	64,465	81,490	63,679	(17,811)
Refuse collections	302,500	302,735	302,736	1
Administrative charges	212,990	216,080	212,964	(3,116)
Contributions from other local units	17,600	17,600	18,632	1,032
Charges for services	25,016	30,586	30,503	(83)
Fines and forfeitures	4,100	3,600	3,244	(356)
Interest and rents revenue	67,515	90,365	96,965	6,600
Total Revenues	2,542,031	2,607,731	2,599,065	(8,666)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	2,542,031	2,607,731	2,599,065	(8,666)
Expenditures				
City Council	20,000	23,170	22,323	847
Public works	494,878	488,285	482,405	5,880
Planning	5,945	2,300	1,883	417
Insurance and other	22,640	26,605	25,796	809
Zoning	1,508	810	65	745
City manager	196,650	185,020	184,756	264
Finance	318,545	304,100	292,345	11,755
City clerk	81,110	72,630	69,882	2,748
General administration	24,450	18,995	18,056	939
Data processing	20,230	17,730	17,519	211
Assessing	35,105	32,905	31,533	1,372
Elections	13,245	15,585	14,726	859
Buildings and grounds	46,335	48,220	38,757	9,463
Attorney	13,000	7,100	4,054	3,046
Police	739,750	740,610	736,504	4,106
Fire	188,225	193,700	188,043	5,657
Building inspection department	104,155	119,540	103,049	16,491
Parks and recreation	100,750	115,740	97,635	18,105
Pool	67,115	69,000	67,357	1,643
Total Expenditures	2,493,636	2,482,045	2,396,688	85,357
Other Financing Uses				
Transfers to other funds	6,000	5,000	5,000	--
Total Expenditures and Other Financing Uses	2,499,636	2,487,045	2,401,688	85,357
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	42,395	120,686	197,377	76,691
Net Change in Fund Balance	42,395	120,686	197,377	76,691
<i>Fund Balance at Beginning of Period</i>	<i>1,670,222</i>	<i>1,670,222</i>	<i>1,670,222</i>	<i>--</i>
Fund Balance at End of Period	\$ 1,712,617	\$ 1,790,908	\$ 1,867,599	\$ 76,691

CITY OF ALGONAC

**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Local Street
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Distributions from State	\$ 110,965	\$ 166,925	\$ 168,328	\$ 1,403
Distributions from local government	24,500	25,355	25,348	(7)
Interest and rents revenue	220	3,740	3,986	246
Total Revenues	135,685	196,020	197,662	1,642
Other Financing Sources				
Transfers from other funds	138,105	146,800	146,800	--
Total Revenues and Other Financing Sources	273,790	342,820	344,462	1,642
Expenditures				
Routine maintenance	391,445	392,970	308,628	84,342
Bridge maintenance	100	350	293	57
Traffic services	9,925	5,220	4,654	566
Winter maintenance	28,660	25,775	25,784	(9)
Street administration	11,090	11,790	11,080	710
Total Expenditures	441,220	436,105	350,439	85,666
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	441,220	436,105	350,439	85,666
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(167,430)	(93,285)	(5,977)	87,308
Net Change in Fund Balance	(167,430)	(93,285)	(5,977)	87,308
<i>Fund Balance at Beginning of Period</i>	285,103	285,103	285,103	--
Fund Balance at End of Period	\$ 117,673	\$ 191,818	\$ 279,126	\$ 87,308

CITY OF ALGONAC

**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Major Street
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Distributions from State	\$ 276,000	\$ 293,670	\$ 297,385	\$ 3,715
Interest and rents revenue	560	7,300	7,796	496
Total Revenues	<u>276,560</u>	<u>300,970</u>	<u>305,181</u>	<u>4,211</u>
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	<u>276,560</u>	<u>300,970</u>	<u>305,181</u>	<u>4,211</u>
Expenditures				
Routine maintenance	41,810	31,690	15,156	16,534
Traffic services	10,049	8,585	7,052	1,533
Winter maintenance	23,035	15,925	15,903	22
Street administration	27,620	29,360	27,616	1,744
Total Expenditures	<u>102,514</u>	<u>85,560</u>	<u>65,727</u>	<u>19,833</u>
Other Financing Uses				
Transfers to other funds	138,105	146,800	146,800	--
Total Expenditures and Other Financing Uses	<u>240,619</u>	<u>232,360</u>	<u>212,527</u>	<u>19,833</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>35,941</u>	<u>68,610</u>	<u>92,654</u>	<u>24,044</u>
Net Change in Fund Balance	<u>35,941</u>	<u>68,610</u>	<u>92,654</u>	<u>24,044</u>
<i>Fund Balance at Beginning of Period</i>	<u>743,973</u>	<u>743,973</u>	<u>743,973</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 779,914</u>	<u>\$ 812,583</u>	<u>\$ 836,627</u>	<u>\$ 24,044</u>

CITY OF ALGONAC

**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2019**

Total Net Change in Fund Balances - Governmental Funds	\$	133,650
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements		32,397
Receivables not available to pay current liabilities are deferred in the governmental funds		(3,847)
Compensated absences for amounts due after one year are accrued in the entity-wide statements but not reflected in the fund level statements. These are expensed as paid in the fund level statements but expensed as incurred in the Statement of Activities		5,023
Capital assets are reported as expenditures in the governmental funds; however, these costs are capitalized and depreciated on the Statement of Net Position		135,092
Loan principal payments are an expenditure in the governmental funds; however, these payments decreased the related liability on the Statement of Net Position		1,386
Prepaid expenses treated as assets in Statement of Net Position, expensed in governmental fund statements		(5,126)
Obligations for retiree health care not reflected on fund level statements, reflected on entity-wide statements		(5,832)
Net pension liability reflected in Statement of Net Position but omitted from the fund level Balance Sheets		44,979
Changes in Net Position-Governmental Funds	\$	337,722

CITY OF ALGONAC
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities - Enterprise Funds			Governmental
	Sewer	Water	Total Enterprise Funds	Activities Internal Service Funds
ASSETS				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 441,457	\$ 939,246	\$ 1,380,703	\$ 587,381
Restricted cash	469,744	757,986	1,227,730	--
Accounts and assessment receivable	127,038	125,539	252,577	--
Due from other units of government	--	7,337	7,337	--
Prepaid and other assets	--	2,629	2,629	--
Restricted receivables and deposits - expendable	103,294	39,795	143,089	--
Total Current Assets	1,141,533	1,872,532	3,014,065	587,381
<i>Noncurrent Assets</i>				
Fixed assets, net of accumulated depreciation	1,702,492	7,331,271	9,033,763	190,925
Unamortized bond discount	1,800	--	1,800	--
Net OPEB asset	--	166,594	166,594	--
Total Assets	2,845,825	9,370,397	12,216,222	778,306
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	142,225	142,225	--
Total Deferred Outflows of Resources	--	142,225	142,225	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts payable	114,824	22,822	137,646	--
Accrued wages and benefits	407	5,325	5,732	--
Accrued interest	1,439	1,150	2,589	--
Current portion of long-term debt	57,692	183,975	241,667	--
Total Current Liabilities	174,362	213,272	387,634	--
<i>Noncurrent Liabilities</i>				
Bonds and loans payable	186,923	--	186,923	--
Accrued sick pay	--	14,416	14,416	--
Net pension liability	--	597,459	597,459	--
Total Liabilities	361,285	825,147	1,186,432	--
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	705	705	--
Total Deferred Inflows of Resources	--	705	705	--
NET POSITION				
Invested in fixed assets, net of related debt	1,458,237	7,146,146	8,604,383	190,925
<i>Restricted for:</i>				
Asset replacement - expendable	545,066	506,669	1,051,735	--
<i>Unrestricted</i>	481,237	1,033,955	1,515,192	587,381
Total Net Position	\$ 2,484,540	\$ 8,686,770	\$ 11,171,310	\$ 778,306

CITY OF ALGONAC

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Sewer	Water	Total Enterprise Funds	
Operating Revenues				
Licenses and permits	\$ 1,000	\$ --	\$ 1,000	\$ --
Miscellaneous revenue	--	12,883	12,883	--
Equipment rental	--	--	--	60,394
User charges	467,431	837,942	1,305,373	--
Maintenance charge	--	111,739	111,739	--
Total Operating Revenues	468,431	962,564	1,430,995	60,394
Operating Expenses				
Public safety	--	--	--	26,754
Public works	--	--	--	6,952
Other	75,585	--	75,585	--
Water operations	--	342,425	342,425	--
Sewer operations	381,360	--	381,360	--
Depreciation	118,370	295,801	414,171	--
Wages and benefits	47,888	430,411	478,299	--
Administrative charges	52,068	123,000	175,068	--
Total Operating Expenses	675,271	1,191,637	1,866,908	33,706
Operating Income (Loss)	(206,840)	(229,073)	(435,913)	26,688
Non-Operating Revenues (Expenses)				
Interest revenue	9,259	19,422	28,681	5,709
Debt service taxes	--	122,442	122,442	--
Capital charges	134,704	142,408	277,112	--
Interest expense	(7,228)	(5,724)	(12,952)	--
Net Non-Operating Revenues (Expenses)	136,735	278,548	415,283	5,709
Income Before Contributions and Transfers	(70,105)	49,475	(20,630)	32,397
Capital contributions - Clay Township	--	26,969	26,969	--
Change In Net Position	(70,105)	76,444	6,339	32,397
<i>Net Position at Beginning of Period</i>	<i>2,554,645</i>	<i>8,610,326</i>	<i>11,164,971</i>	<i>745,909</i>
Net Position at End of Period	\$ 2,484,540	\$ 8,686,770	\$ 11,171,310	\$ 778,306

CITY OF ALGONAC

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Sewer	Water	Total Enterprise Funds	Motor Pool
Cash Flows From Operating Activities:				
Receipts from customers	\$ 463,703	\$ 960,722	\$ 1,424,425	\$ -
Payments to suppliers	(446,672)	(331,999)	(778,671)	-
Payments to employees	(47,712)	(427,896)	(475,608)	-
Receipts from interfund services provided	-	-	-	60,394
Payments for interfund administrative services	(52,068)	(123,000)	(175,068)	-
Net Cash Provided By (Used In) Operating Activities	(82,749)	77,827	(4,922)	60,394
Cash Flows From Capital and Related Financing Activities:				
Acquisition of capital assets	-	(310,380)	(310,380)	-
Discount on bond refunding issuance	513	-	513	-
Capital contributions	-	70,204	70,204	-
Principal paid on debt	(57,692)	(180,000)	(237,692)	-
Interest and paying agent fees paid on revenue bonds	(7,516)	(6,850)	(14,366)	-
Capital charges	134,704	142,408	277,112	-
Debt service charges	-	122,442	122,442	-
Net Cash Provided By (Used In) Capital and Related Financing Activities	70,009	(162,176)	(92,167)	-
Cash Flows From Investing Activities:				
Interest on investments	9,259	19,422	28,681	5,708
Net Cash Provided By (Used In) Investing Activities	9,259	19,422	28,681	5,708
Net Increase (Decrease) In Cash and Cash Equivalents	(3,481)	(64,927)	(68,408)	66,102
Cash and Cash Equivalents at July 1, 2018	914,682	1,762,159	2,676,841	521,279
Cash and Cash Equivalents at June 30, 2019	\$ 911,201	\$ 1,697,232	\$ 2,608,433	\$ 587,381
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:				
Operating income (loss)	\$ (206,840)	\$ (229,073)	\$ (435,913)	\$ 26,688
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</i>				
Depreciation	118,370	295,801	414,171	33,706
<i>Change in assets and liabilities:</i>				
Accounts receivable	(4,728)	(1,842)	(6,570)	-
Prepaid expenses	-	(922)	(922)	-
Net OPEB asset	-	12,276	12,276	-
Deferred outflows	-	(121,195)	(121,195)	-
Net pension liability	-	139,985	139,985	-
Accounts payable	10,273	11,348	21,621	-
Accrued wages and compensated absences	176	(467)	(291)	-
Deferred inflows	-	(28,084)	(28,084)	-
Net Cash Provided By (Used In) Operating Activities	\$ (82,749)	\$ 77,827	\$ (4,922)	\$ 60,394

CITY OF ALGONAC

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2019

	Pension and Benefit Trust	Agency	
	Other Postemployment Benefits Trust	Tax Collection	Imprest Payroll
ASSETS			
Cash and cash equivalents	\$ --	\$ 4,973	\$ 10,302
Pooled investments at fair value	645,759	--	--
Accounts and assessment receivable	--	9,942	--
Total Assets	645,759	14,915	10,302
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Deferred Outflows of Resources	--	--	--
LIABILITIES			
Other current liabilities	--	7,260	--
Payroll liabilities	--	--	7,497
Due to primary unit	--	7,655	2,805
Total Liabilities	--	14,915	10,302
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	--	--
Total Deferred Inflows of Resources	--	--	--
NET POSITION			
Restricted for Other Postemployment Benefits	\$ 645,759	\$ --	\$ --

CITY OF ALGONAC

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2019

	<u>Other Postemployment Benefits Trust</u>	
Additions		
Employer contributions		\$ 25,821
Investment income:		
Net increase (decrease) in fair value	\$ 6,728	
Interest, dividends, & realized gains	13,695	
Less: Investment expenses	<u>(1,873)</u>	
Investment income		<u>18,550</u>
Total Additions		<u>44,371</u>
Deductions		
Benefits		8,643
Administrative expenses		1,328
Other		<u>30,521</u>
Total Deductions		<u>40,492</u>
Net Increase in Net Position		3,879
Net Position at Beginning of Period		<u>641,880</u>
Net Position at End of Period		<u>\$ 645,759</u>

CITY OF ALGONAC

Notes to Financial Statements For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ENTITY AND ITS OPERATIONS

The City of Algonac, Michigan, was incorporated December 6, 1967, under the provisions of Public Act 279, of 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police, fire, and inspection), highways and streets, sanitation, community development, cultural-recreation, public improvements, planning and zoning, water supply and sewage disposal systems, and general administrative services.

REPORTING ENTITY

The financial reporting entity consists of the primary government of the City of Algonac. The financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria for determining the inclusion of a related entity are the makeup of its governing body, legal status, degree of fiscal independence, the primary entity's ability to appoint a voting majority of its governing body, or to impose its will, and the potential for benefit or burden. Certain other organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. A legally separate, tax-exempt organization would be reported as a component unit of the reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Using this criteria, the City of Algonac identified no component units.

RELATED ORGANIZATIONS

The Algonac Housing Authority (AHA) is a related organization as the City Council appoints the board of the AHA, but is not financially accountable.

There were no related party transactions between the City of Algonac and the Algonac Housing Authority for the fiscal year ended June 30, 2019.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

CITY OF ALGONAC

Notes to Financial Statements For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

The government reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, protective services, and other intergovernmental revenues.

Special Revenue - The Major Street Fund and Local Street Fund are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are used for street maintenance, construction, and repair. The Major and Local Street Funds are used to account for restricted use street revenues received from the State.

Capital Projects Fund - This fund is used to account for the acquisition or construction of major capital facilities other than those financed by proprietary fund operations and special assessments.

The government reports the following major proprietary funds:

Enterprise Funds - The Water Fund and the Sewer Fund report operations that provide services which are financed by user charges or activities where periodic measurements of net income is appropriate for capital maintenance, public policy, management control, or other purposes.

Additionally, the government reports the following fund types:

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Internal Service Fund - This fund provides fixed assets to other departments on a cost reimbursement basis.

Trust and Agency Funds - These funds are used to account for assets held by the City as an agent for individuals, organizations, other governments or funds.

OPEB Trust Fund - This fund is an agent for retirement contributions for the City's employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Residual balances between the business-type activities and the governmental activities are reported as "internal balances."

CITY OF ALGONAC

Notes to Financial Statements For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The Water and Sewer Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

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

ASSETS, LIABILITIES, AND NET POSITION

DEPOSITS AND INVESTMENTS

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

RECEIVABLES AND PAYABLES

In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of allowance for uncollectible amounts. There was no allowance for the current year.

INVENTORY AND PREPAID ITEMS

Inventories are valued at cost, on an average basis. Inventories of governmental funds are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements and are expensed as paid in the fund financial statements.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost ranging from \$5,000 to \$20,000, 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 market 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.

CITY OF ALGONAC

**Notes to Financial Statements
For the Year Ended June 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Infrastructure assets acquired prior to July 1, 2003, have not been capitalized and are omitted from the Statement of Net Position. Assets are depreciated using the straight-line method over the following useful lives:

<u>Asset Type</u>	<u>Life</u>
Buildings and improvements	10-50 years
Utility systems	5-50 years
Machinery and equipment	5-50 years
Vehicles	5-12 years
Infrastructure	10-20 years
Intangibles	5 years

COMPENSATED ABSENCES

The City accrues the liability for future vacation, sick, and other leave benefits that are attributable to employee services already rendered if this obligation relates to vested obligations, the payment of which is probable and can be reasonably estimated. Vacation benefits are treated as current, as they are payable within one year.

All vacation and vested sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts are reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

LONG-TERM OBLIGATIONS

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

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

PENSIONS

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City of Algonac Retiree Health Care Benefits Plan and additions to/deductions from the Retiree Health Care Benefits Plan have been determined on the same basis as they are reported by the Retiree Health Care Benefits Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF ALGONAC

Notes to Financial Statements For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

UNEARNED/UNAVAILABLE REVENUE

Governmental funds report a deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds recognize unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Miscellaneous services	\$ 685	\$ --
Restitution	1,120	--
Total	<u>\$ 1,805</u>	<u>\$ --</u>

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net 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 (expenses/expenditures) until then. See Note 9 and Note 10 regarding amounts reported as deferred outflows of resources related to the net pension obligation and net OPEB asset respectively.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which qualifies under a modified-accrual basis of accounting, for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only on the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, state revenue sharing, special assessments, and contract revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. See Note 9 and Note 10 regarding amounts reported as deferred inflows of resources related to the net pension obligation and net OPEB asset respectively.

PROPERTY TAX REVENUE

Property taxes and other revenues are recognized in the accounting period when they become measurable and available to finance operations. Properties are assessed as of December 31, and the related property taxes are levied on July 1, and become a lien on July 1. These taxes are due on August 31, with a final collection date of February 28, before they are delinquent.

The 2018 taxable value of the local government unit totaled \$102 million (exclusive of any Michigan Tax Tribunal or Board of Review adjustments) on which ad valorem taxes levied consisted of 12.3777 mills for general operating purposes and 1.2 mills for water debt raising \$1.3 million for operating and \$122,000 for debt service. These amounts are recognized in the respective General and Water Fund financial statements as taxes receivable or as tax revenue.

FUND EQUITY

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Commitments of fund balance represent amounts committed by the government's highest level of decision-making authority and require Council resolution. Assignments represent tentative management plans that are subject to change. Management's authority to create these assignments is established by the Council.

It is the policy of the City to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. Committed or assigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

CITY OF ALGONAC

**Notes to Financial Statements
For the Year Ended June 30, 2019**

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Budget amendments require approval from a majority of the City Council. Actual expenditures did not exceed the budget for the year.

NOTE 3: CASH AND INVESTMENTS

DEPOSITS

Deposits are carried at cost. Deposits are at Michigan banks in the name of the City of Algonac Treasurer. Governing statutes allow the City to make various investments with public monies including, but not limited to, the following:

1. Direct bonds and obligations of the U.S., its agencies or instrumentalities
2. Certificates of deposit, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency and located in the State of Michigan
3. Commercial paper - rated within two highest rate classifications by at least two rating services and matures not later than 270 days
4. U.S. or agency repurchase agreements
5. Mutual funds - investments which local unit can make directly
6. Bankers' acceptances of U.S. banks
7. Obligations of the State of Michigan 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

The above investment restrictions do not apply to the City's Pension Fund or the Other Postemployment Benefit Trust.

The deposits and investments of the City are not limited beyond statutory authority and are in compliance as of the balance sheet date.

Deposits and investments are recorded at cost. The carrying amounts are included on the balance sheet as "Cash and cash equivalents," "Investments," and "Restricted cash."

Deposits are reflected on the individual fund balance sheet as follows:

Total governmental funds	\$ 3,882,314
Total proprietary funds	2,608,433
Total fiduciary funds	15,275
Total Deposits	<u>\$ 6,506,022</u>

Deposits and investments at the balance sheet date consisted of the following:

<u>Deposits</u>	<u>Insured (FDIC)</u>	<u>Uninsured and Uncollateralized</u>	<u>Carrying Amount</u>	<u>Bank Balance/ Market Value</u>
Demand deposits	\$ 500,000	\$ 5,244,042	\$ 5,459,432	\$ 5,744,042
Savings and CD's	750,000	296,196	1,046,196	1,046,196
Cash on hand	--	394	394	--
Total Cash	<u>\$ 1,250,000</u>	<u>\$ 5,540,632</u>	<u>\$ 6,506,022</u>	<u>\$ 6,790,238</u>

CITY OF ALGONAC

Notes to Financial Statements For the Year Ended June 30, 2019

NOTE 3: CASH AND INVESTMENTS (Continued)

INTEREST RATE RISK

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City made no investments that have market value risk during the current fiscal year.

CREDIT RISK

Statutes limit investments as stated above. The City's investment policy does not limit its investment choices beyond the statute. The authority to make investment decisions has been granted to the City Treasurer.

CONCENTRATION OF CREDIT RISK

The City places no limit on the amount that it may invest in any one issuer.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2019, \$5,540,632 of the government's bank balance of \$6,790,238 was exposed to custodial credit risk because it was uninsured or was collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have exposure to this type of risk.

OPEB TRUST

Michigan law authorizes a political subdivision to make various investments with assets of public employee retirement systems including, but not limited to, the following:

1. The general account of a life insurer authorized to do business in this state, but the total of the assets invested shall not exceed 50% of the capital and surplus of the insurer;
2. Obligations of the United States or its agencies;
3. Banker's acceptances, commercial accounts, certificates of deposit or depository receipts issued by a bank, trust company, savings and loan association, or a credit union; and
4. Commercial paper rated within 3 highest rate classification by at least 2 rating services and matures not later than 270 days.

The City of Algonac's OPEB Trust deposits and investments are in accordance with statutory authority. All of the City's OPEB investments are invested at MERS (Michigan Employee's Retirement System) in the MERS ISP Total Market Portfolio. The MERS ISP Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers of the MERS ISP Total Market Portfolio.

All investments in the MERS ISP Total Market Portfolio were stated at fair value at June 30, 2019.

CITY OF ALGONAC

**Notes to Financial Statements
For the Year Ended June 30, 2019**

NOTE 4: RESTRICTED ASSETS AND INVESTMENTS

As of the balance sheet date, certain assets were subject to restrictions as follows:

Sewer Fund:		
Cash restricted for asset replacement		\$ 467,065
Cash restricted for debt		2,679
Restricted receivable		35,185
Deposit with St. Clair County for debt retirement		25,293
Deposit with St. Clair County for Waste Water Treatment Plant		42,816
Total Sewer Fund		<u>573,038</u>
Water Fund:		
Cash restricted for asset replacement by Clay Township supply agreement		\$ 33,850
Cash restricted for debt retirement		252,286
Cash restricted for asset replacement		471,850
Deposit with St. Clair County for water construction		968
Restricted receivables		38,827
Total Water Fund		<u>797,781</u>
Total Restricted Assets and Investments		<u>\$ 1,370,819</u>

NOTE 5: FUND BALANCE/RETAINED EARNINGS RESERVATIONS/DESIGNATIONS

	<u>Restricted</u>	<u>Committed</u>
Fund:		
General		
Recreation	\$ --	\$ 1,432
Tax tribunal	--	10,000
Accumulated sick and vacation	--	13,885
Local Street		
Highways and streets - Act 51	279,126	--
Major Street		
Highways and streets - Act 51	836,627	--
Capital Projects		
Capital projects	--	265,568
Library		
Library	43,897	--
Total Governmental Funds	<u>\$ 1,159,650</u>	<u>\$ 290,885</u>

CITY OF ALGONAC

**Notes to Financial Statements
For the Year Ended June 30, 2019**

NOTE 6: CAPITAL ASSETS

A summary of changes in governmental fixed assets follows:

	Balance <u>6/30/2018</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/2019</u>
General Government:				
Buildings and improvements	\$ 659,879	\$ --	\$ --	\$ 659,879
Machinery and equipment	41,019	--	--	41,019
Land	310,559	--	--	310,559
Software	32,164	--	--	32,164
Capital lease	7,560	--	--	7,560
Public Safety:				
Buildings and improvements	26,565	--	--	26,565
Machinery and equipment	179,351	34,561	--	213,912
Vehicles	1,089,904	--	--	1,089,904
Public Works:				
Buildings and improvements	351,836	30,220	--	382,056
Machinery and equipment	252,953	--	--	252,953
Vehicles	368,093	--	--	368,093
Recreation and Cultural:				
Buildings and improvements	3,854,903	250,874	--	4,105,777
Machinery and equipment	40,612	--	--	40,612
Infrastructure	127,096	--	--	127,096
Construction in progress	81,565	--	(81,565)	--
Streets:				
Infrastructure	3,237,767	7,492	--	3,245,259
Construction in progress	--	263,976	--	263,976
Total Capital Assets	<u>10,661,826</u>	<u>587,123</u>	<u>(81,565)</u>	<u>11,167,384</u>
Accumulated Depreciation	<u>(5,345,293)</u>	<u>(404,172)</u>	<u>--</u>	<u>(5,749,465)</u>
	<u>\$ 5,316,533</u>	<u>\$ 182,951</u>	<u>\$ (81,565)</u>	<u>\$ 5,417,919</u>

The above amounts include land and construction in progress with a cost of \$310,559 and \$263,976 respectively, not subject to depreciation.

The assets above include assets acquired through capital leases with a cost of \$7,560 and accumulated depreciation of \$5,292.

CITY OF ALGONAC

**Notes to Financial Statements
For the Year Ended June 30, 2019**

NOTE 6: CAPITAL ASSETS (Continued)

Governmental activity depreciation and amortization on capitalized lease, included on the Statement of Activities, was allocated as follows:

General Government	\$ 17,639
Public Safety	37,311
Public Works	25,319
Recreation and Cultural	163,155
Streets	<u>160,748</u>
Total	<u>\$ 404,172</u>

Business-Type Activities Fixed Assets:

A summary of changes in business-type fixed assets follows:

	Balance <u>6/30/2018</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/2019</u>
Water Fund:				
Water plant, mains, hydrants, and water systems	\$ 13,329,707	\$ 27,019	\$ --	\$ 13,356,726
Machinery and equipment	176,068	25,583	--	201,651
Construction in progress	<u>--</u>	<u>257,778</u>	<u>--</u>	<u>257,778</u>
	<u>13,505,775</u>	<u>310,380</u>	<u>--</u>	<u>13,816,155</u>
Sewer Fund:				
Sewer plant, mains, and service sewers	5,580,251	--	--	5,580,251
Machinery and equipment	<u>47,966</u>	<u>--</u>	<u>--</u>	<u>47,966</u>
	<u>5,628,217</u>	<u>--</u>	<u>--</u>	<u>5,628,217</u>
Total Capital Assets	19,133,992	310,380	--	19,444,372
Accumulated Depreciation	<u>(9,996,438)</u>	<u>(414,171)</u>	<u>--</u>	<u>(10,410,609)</u>
	<u>\$ 9,137,554</u>	<u>\$ (103,791)</u>	<u>\$ --</u>	<u>\$ 9,033,763</u>

Depreciation for the water and sewer systems totaled \$295,801 and \$118,370, respectively, for the year ended June 30, 2019.

CITY OF ALGONAC

**Notes to Financial Statements
For the Year Ended June 30, 2019**

NOTE 7: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General Fund - treated as cash	<u>\$ 7,655</u>	Tax Fund	<u>\$ 7,655</u>
General Fund - treated as cash	<u>\$ 2,805</u>	Imprest Payroll Fund	<u>\$ 2,805</u>

The outstanding balances between funds result mainly from timing differences between the dates that interfund goods and services are provided and the date that payments between the funds are made.

Interfund transfers:

<u>Transfers In</u>		<u>Transfers Out</u>	
Library Fund	<u>\$ 5,000</u>	General Fund	<u>\$ 5,000</u>
Local Street	<u>\$ 146,800</u>	Major Street	<u>\$ 146,800</u>

Interfund receivables, payables, and transfers are eliminated in the entity-wide presentations, within the governmental and business-type fund groups. These balances are expected to be repaid within one year.

The above transfers were made to provide various permissible interfund subsidies and reimbursements.

NOTE 8: LONG-TERM DEBT

The government 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. Certain contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

CITY OF ALGONAC

**Notes to Financial Statements
For the Year Ended June 30, 2019**

NOTE 8: LONG-TERM DEBT (Continued)

CHANGES IN INDEBTEDNESS BY TYPE

	<u>Payable at 6/30/2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>Payable at 6/30/2019</u>	<u>Due Within One Year</u>
Direct Borrowings:					
General obligation bonds	\$ 302,307	\$ --	\$ 57,692	\$ 244,615	\$ 57,692
Capital lease	<u>3,024</u>	<u>--</u>	<u>1,386</u>	<u>1,638</u>	<u>1,512</u>
Total General Obligation	305,331	--	59,078	246,253	59,204
Revenue Bonds:					
Drinking Water Revolving Fund Bonds	<u>363,975</u>	<u>--</u>	<u>180,000</u>	<u>183,975</u>	<u>183,975</u>
Total Indebtedness	<u>\$ 669,306</u>	<u>\$ --</u>	<u>\$ 239,078</u>	<u>\$ 430,228</u>	<u>\$ 243,179</u>

CHANGES IN INDEBTEDNESS BY FUND TYPE

Total Water and Sewer Fund Indebtedness	\$ 666,282	\$ --	\$ 237,692	\$ 428,590	\$ 241,667
Total Governmental Indebtedness	<u>3,024</u>	<u>--</u>	<u>1,386</u>	<u>1,638</u>	<u>1,512</u>
Total Indebtedness	<u>\$ 669,306</u>	<u>\$ --</u>	<u>\$ 239,078</u>	<u>\$ 430,228</u>	<u>\$ 243,179</u>

The general obligation bonds and indebtedness are to be financed by revenues of the General Fund, Water Fund, and Sewer Fund. The revenue bond is to be retired by the revenues of the Water Fund.

SUMMARY OF INDEBTEDNESS

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Direct Borrowings:				
2012 Refunding Limited Tax Bonds	1	Various	2023	\$ 244,615
Capital lease	N/A	N/A	2021	<u>1,638</u>
Total General Obligations				<u>\$ 246,253</u>
Revenue Bonds:				
Drinking Water Revolving Fund Bonds	1	2.500%	2020	<u>\$ 183,975</u>

The City did not have any short-term debt obligations outstanding at the beginning or end of the period. As of June 30, 2019, the City does not have unused lines of credit or other obligations.

In addition to bonds and capital leases, the City has the following long-term liabilities:

<u>Description</u>	<u>Balance at 7/01/2018</u>	<u>Balance at 6/30/2019</u>
Accrued sick pay	\$ 38,915	\$ 34,533
Net pension liability	See Note 9	See Note 9
Other postemployment benefits	See Note 10	See Note 10

CITY OF ALGONAC

**Notes to Financial Statements
For the Year Ended June 30, 2019**

NOTE 8: LONG-TERM DEBT (Continued)

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

Year Ending June 30	Governmental Activities		Business-Type Activities			
	Capital Lease		Direct Borrowings		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,512	\$ --	\$ 57,692	\$ 5,758	\$ 183,975	\$ 2,300
2021	126	--	60,000	4,604	--	--
2022	--	--	62,308	3,254	--	--
2023	--	--	64,615	1,696	--	--
Total	<u>\$ 1,638</u>	<u>\$ --</u>	<u>\$ 244,615</u>	<u>\$ 15,312</u>	<u>\$ 183,975</u>	<u>\$ 2,300</u>

Complete details of bonded indebtedness are found on page 54.

Total interest expense for the City for the year was \$12,952 in the Water and Sewer Funds.

NOTE 9: EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION

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

The plan is closed to new entrants.

BENEFITS PROVIDED

All regular full-time employees received benefits including the basic benefit B-2 program, early retirement at age 55 with 20 years of service, vesting at 6 years of credited service, and the FAC-3 rider. Benefits are determined by the final average compensation (FAC) multiplied by years and months of service divided by 12 for the monthly (straight life) amount. Benefits are eligible at age 60.

The actuarial assumptions and methods are adopted by the MERS Retirement Board and are reviewed every five years in an Experience Study. The most recent study was completed in 2015.

	<u>2015 Experience Study</u>
Benefit Multiplier:	2.00% (no max)
Normal Retirement Age:	60
Vesting:	6 years
	10 years (AFSCME/Mgmt after 7/1/15 POAM Teamsters after 7/1/15)
Early Retirement (Unreduced):	55/20
	-- (AFSCME/Mgmt after 7/1/15)
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years - AFSCME/Mgmt
	5 years - POAM Teamsters
COLA for future retirees:	2.50% (non-compound)
Member contributions:	6.00% - AFSCME/Mgmt
	4.00% - POAM Teamsters
Act 88:	No

CITY OF ALGONAC

**Notes to Financial Statements
For the Year Ended June 30, 2019**

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

EMPLOYEES COVERED BY BENEFIT TERMS

At the December 31, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	20
Active employees	6
	<u>49</u>

CONTRIBUTIONS

The City of Algonac is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees.

Employer contributions were \$253,285, or 78.1% of covered payroll.

NET PENSION LIABILITY

The City's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2018	\$ 6,217,053	\$ 4,985,522	\$ 1,231,531
Changes for the year:			
Service cost	35,884	--	35,884
Interest on the net pension liability	483,468	--	483,468
Differences between expected and actual experience	(75,049)	--	(75,049)
Contributions - employer	--	253,285	(253,285)
Contributions - member	--	18,252	(18,252)
Net investment income	--	(189,897)	189,897
Benefit payments, including refunds of employee contributions	(383,291)	(383,291)	--
Administrative expense	--	(9,535)	9,535
Other changes	2	--	2
Net Changes	<u>61,014</u>	<u>(311,186)</u>	<u>372,200</u>
Balance at June 30, 2019	<u>\$ 6,278,067</u>	<u>\$ 4,674,336</u>	<u>\$ 1,603,731</u>

CITY OF ALGONAC

**Notes to Financial Statements
For the Year Ended June 30, 2019**

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

ACTUARIAL ASSUMPTIONS

The total pension liability in the December 31, 2018, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.50%
Salary increases:	3.75% - 14.75% in the long-term
Investment rate of return:	7.75%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the assumed long-term annual rate of price inflation is 2.5%.

Mortality rates used were based on the RP-2014 Mortality Tables of a 50% Male and 50% Female blend.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study performed in 2015. There were no significant changes in assumptions during the most recent valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	55.5 %	3.41 %
Global Fixed Income	18.5 %	0.23 %
Real Assets	13.5 %	0.97 %
Diversifying Strategies	12.5 %	0.63 %

Discount Rate: The discount rate used to measure the total pension liability is 8%. 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 employer, calculated using the discount rate of 8%, as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower (7%) or 1% higher (9%) than the current rate.

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability	\$ 2,262,894	\$ 1,603,731	\$ 1,048,847

CITY OF ALGONAC

**Notes to Financial Statements
For the Year Ended June 30, 2019**

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2019, the employer recognized pension expense of \$183,872. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Excess (deficit) investment returns	\$ 354,683	\$ --
Contributions subsequent to the measurement date*	39,340	--
Total	\$ 394,023	\$ --

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the plan year ending December 31, 2019.

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

<u>Year Ended</u>	<u>Deferred Outflows/Inflows</u>
2020	\$ 125,911
2021	42,400
2022	69,596
2023	116,776
Thereafter	--

PAYABLE TO THE PENSION PLAN

At June 30, 2019, there were no amounts due to the plan for unpaid contributions.

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

PLAN DESCRIPTION

The City has established a single employer defined benefit plan which it administers, the Other Postemployment Benefits Fund. The plan provides postemployment benefits other than pensions (OPEB) to its qualifying full-time employees and retirees. The OPEB benefits are provided under collective bargaining and other requirements. The plan does not issue a separate or stand-alone financial statement. Administrative costs are paid by the City. The plan is administered in accordance with the Uniform Resolution Adopting the MERS Retiree Health Funding Vehicle (RHFV), which was adopted by the City Council in 2007. The plan is administered by the MERS Retirement Board.

BENEFITS PROVIDED

The plan provides lifetime health care benefits to plan members hired prior to January 1, 2011, with 30 years of service at retirement. Benefits are provided through a third-party insurer, and up to 40% of the cost of the benefits is covered by the plan to age 65. After age 65, the plan covers \$125 per month for the retiree and spouse. The \$125 is increased annually based on increases in the Michigan Consumer Price Index (CPI).

The plan is closed to new entrants.

EMPLOYEES COVERED BY BENEFIT TERMS

As of June 30, 2018 (latest actuarial valuation available), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Inactive employees or beneficiaries entitled to but not yet receiving benefits	--
Active employees	2
Total	5

CITY OF ALGONAC

Notes to Financial Statements For the Year Ended June 30, 2019

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

FUNDING POLICY AND OTHER MATTERS

The City's obligations for these benefits are established by ordinance and labor contracts. Currently, under these contracts, the City is responsible for funding of these benefits. Contributions for the year were \$25,821, and benefits paid totaled \$8,643. Plan members are not responsible for any portion of the annual required contribution.

In August 2012, the City contracted police protection service. The actuarial contribution required was reduced to reflect this employment reduction. As a result, the fund is overpaid and there is no OPEB obligation at June 30, 2019.

INVESTMENT POLICY

The investments of the plan are governed by Public Act 149 of 1999, as amended. The City has adopted the MERS Retiree Health Funding Vehicle (RHFV). MERS has established the following asset allocation policy:

<u>Asset Class</u>	<u>Target Allocation (%)</u>
U.S. stocks	22.5 %
International stocks	12.5
Emerging market stocks	15.5
Private equity	5.0
Global bond	17.0
Cash	1.5
Global real assets	13.5
Diversifying strategies	12.5
Total	<u>100.0%</u>

All assets are invested in the MERS Total Market Portfolio. The long-term expected rate of return on this investment is 8.46%.

RATE OF RETURN

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense was 2.915%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

NET OPEB LIABILITY (ASSET)

The City's net OPEB liability (asset) was measured as of June 30, 2019 (2018 valuation), and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2018. The components of the net OPEB liability (asset) of the City at June 30, 2019 were as follows:

Total OPEB liability	\$ 229,274
Plan fiduciary net position	<u>(645,759)</u>
City's net OPEB liability (asset)	<u>\$ (416,485)</u>

Plan fiduciary net position as a percentage of the total OPEB liability is 281.65%.

ACTUARIAL ASSUMPTIONS

The total OPEB liability was determined based on the June 30, 2018 actuarial valuation, rolled forward to June 30, 2019 using generally accepted actuarial standards. The following actuarial assumptions were applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age
Inflation	2.50%
Salary increases	2.50%
Investment rate of return	7.0% (net of expenses)
Healthcare cost trend rate	8.5% for year of valuation, graded down to 4.5% in 0.25% increments over 10 years
Mortality	RP 2014 Healthy Annuitant Mortality Table

CITY OF ALGONAC

**Notes to Financial Statements
For the Year Ended June 30, 2019**

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

DISCOUNT RATE

The discount rate used to measure the total OPEB liability was 7.0%. The projection of cashflows used to determine the discount rate assumed that the City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

SENSITIVITY OF THE NET OPEB LIABILITY (ASSET) TO CHANGES IN THE DISCOUNT RATE AND HEALTHCARE COST TREND RATES

The following presents the net OPEB liability (asset) of the City, as well as what the City's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current discount rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB liability (asset)	\$ (393,041)	\$ (416,485)	\$ (436,367)

The following presents the net OPEB liability (asset) of the City, as well as what the City's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease (7.5% decreasing to 3.5%)	GASB 75 Med. Inflation Rates (8.5-4.5%)	1% Increase (9.5% decreasing to 5.5%)
Net OPEB liability (asset)	\$ (418,645)	\$ (416,485)	\$ (414,259)

CHANGES IN THE NET OPEB LIABILITY (ASSET)

The City's net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an annual actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 using generally accepted actuarial standards.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance at June 30, 2018	\$ 194,705	\$ 641,880	\$ (447,175)
Changes for the year:			
Service cost	1,873	--	1,873
Interest on the net OPEB liability	13,695	--	13,695
Differences between expected and actual experience	27,644	--	27,644
Contributions - employer	--	25,821	(25,821)
Net investment income	--	18,550	(18,550)
Benefit payments, including refunds of employee contributions	(8,643)	(8,643)	--
Administrative expense	--	(1,328)	1,328
Other changes	--	(30,521)	30,521
Net Changes	34,569	3,879	30,690
Balance at June 30, 2019	\$ 229,274	\$ 645,759	\$ (416,485)

CITY OF ALGONAC

**Notes to Financial Statements
For the Year Ended June 30, 2019**

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB EXPENSE AND DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2019, the City recognized OPEB expense (recoveries) of \$37,501. The City also reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions and experience	\$ 20,772	\$ --
Differences between projected and actual earnings on investments	--	1,762
Total	\$ 20,772	\$ 1,762

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

<u>Year Ended</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	\$ 5,250	\$ 588
2021	5,174	588
2022	5,174	586
2023	5,174	--
Total	\$ 20,772	\$ 1,762

PAYABLE TO THE OPEB PLAN

At June 30, 2019, there were no amounts due to the OPEB plan for unpaid contributions.

NOTE 11: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with section 457 of the Internal Revenue Code. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employee until termination, retirement, death, or unforeseeable emergency.

The City matches employee contributions for the employees who do not participate in the City's pension plan. Currently, the City is matching contributions for four employees. The City Council approves the matching contribution rate each year. Employee deferrals amounted to \$6,458 and employer contributions amounted to \$6,458 for the period.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries. The City has relinquished all fiduciary accountability for the assets to the plan trustee. Accordingly, the related assets and liabilities of the plan are not reported in the City's financial statements.

It is the opinion of the City that it has no liability for losses under the plan, but does have the duty of care that would be required of an ordinary prudent investor.

CITY OF ALGONAC

Notes to Financial Statements For the Year Ended June 30, 2019

NOTE 12: SEWAGE DISPOSAL SYSTEM AGREEMENT

In accordance with an agreement signed November 1976, the County acquired legal ownership of the City of Algonac Sewage Disposal System and, as of July 14, 1977, assumed responsibility for administering, operating, and maintaining the system. The City has agreed to pay the County charges sufficient to provide from the City's share of expenses incurred by the County and to provide for future maintenance, repairs, and replacement.

NOTE 13: CONTINGENCIES AND RISKS

RISK FINANCING

The City of Algonac purchases insurance coverage from independent third parties and is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage during the year.

NOTE 14: POLICE PROTECTION AGREEMENT

The City of Algonac entered into an agreement, to provide police protection, with the St. Clair County Sheriff's Department. This contract was for a period of three years starting October 2018. Equipment and vehicles remain property of the City of Algonac and disposition of such items will be at the discretion of City Council.

NOTE 15: TAX ABATEMENT

Tax abatements are a reduction in tax revenues between one or more governments and an individual or entity where the individual or entity promises to take a specific action after the agreement, contributes to the economic development, or otherwise benefits the government or citizens of the government. As of June 30, 2019, the City of Algonac did not have any tax abatements.

NOTE 16: UPCOMING REPORTING CHANGE

In 2017, the GASB issued *Statement No. 87, Leases*. This statement requires a lessee to recognize a lease liability and a right-to-use asset for leases previously classified as operating leases. The Statement was issued to better meet the information needs of financial statement users by improving the accounting and financial reporting for leases by governments. It also establishes a single model for lease accounting based on the foundational principle that leases are financing of the right-to-use an underlying asset and enhances the relevance and consistency of information about governments' leasing activities. The provisions of this statement are effective for financial statements for the 2020-2021 fiscal year.

In 2017, GASB also issued *Statement No. 84, Fiduciary Activities*. This statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The requirements of this Statement are effective for the 2019-2020 fiscal year.

The City is currently evaluating the impact that these statements will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALGONAC

**Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2019
(Per latest actuarial report dated December 31, 2018)**

	2019	2018	2017
Total Pension Liability			
Service cost	\$ 35,884	\$ 45,198	\$ 74,754
Interest	483,468	473,488	458,428
Differences between expected and actual experience	(75,049)	(10,224)	37,734
Changes of assumptions	--	--	--
Benefit payments, including refunds of member contributions	(383,291)	(374,836)	(360,936)
Other changes	2	2	--
Net change in total pension liability	61,014	133,628	209,980
<i>Total Pension Liability - Beginning</i>	6,217,053	6,083,425	5,873,445
Total Pension Liability - Ending (a)	\$ 6,278,067	\$ 6,217,053	\$ 6,083,425
Plan Fiduciary Net Position			
Contributions - employer	\$ 253,285	\$ 167,970	\$ 154,342
Contributions - member	18,252	28,219	120,438
Net investment income	(189,897)	594,694	468,620
Benefit payments, including refunds of member contributions	(383,291)	(374,836)	(360,936)
Administrative expense	(9,535)	(9,431)	(9,264)
Net change in plan fiduciary net position	(311,186)	406,616	373,200
<i>Plan Fiduciary Net Position - Beginning</i>	4,985,522	4,578,906	4,205,706
Plan Fiduciary Net Position - Ending (b)	\$ 4,674,336	\$ 4,985,522	\$ 4,578,906
Total Net Pension Liability - Ending (a)-(b)	\$ 1,603,731	\$ 1,231,531	\$ 1,504,519
Plan Fiduciary Net Position as a percentage of the total pension liability	74.46%	80.19%	75.27%
Covered employee payroll	\$ 324,482	\$ 417,794	\$ 659,097
Total net pension liability as a percentage of covered employee payroll	494.24%	294.77%	228.27%

Notes to Schedule:

Presentation: GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* requires presentation of 10 years of comparative information for the Schedule of Changes in Net Pension Liability and Related Ratios. This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years which data is available, beginning with June 30, 2015.

Above dates are based on the measurement date, which may not necessarily tie to the fiscal year. Numbers are illustrative and will be based on the actual changes in the Net Pension Liability, they are not projected.

<u>2016</u>	<u>2015</u>
\$ 70,347	\$ 67,399
435,424	422,055
21,130	--
282,434	--
(347,221)	(318,921)
(777)	--
<u>461,337</u>	<u>170,533</u>
<u>5,412,108</u>	<u>5,241,575</u>
\$ 5,873,445	\$ 5,412,108

\$ 65,959	\$ 60,094
31,405	30,454
(65,489)	280,299
(347,221)	(318,921)
(9,738)	(10,254)
<u>(325,084)</u>	<u>41,672</u>
<u>4,530,790</u>	<u>4,489,118</u>
\$ 4,205,706	\$ 4,530,790
\$ 1,667,739	\$ 881,318

71.61%	83.72%
--------	--------

\$ 626,963	\$ 594,969
------------	------------

266.00%	148.13%
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CITY OF ALGONAC

**Required Supplementary Information
Schedule of Employer's Pension Contributions
June 30, 2019
(Per latest actuarial report dated December 31, 2018)**

	2018	2017	2016	2015
Actuarially determined contribution	\$ 186,528	\$ 113,460	\$ 154,342	\$ 63,636
Contributions in relation to the actuarially determined contribution	253,285	167,970	154,342	63,636
Contribution deficiency (excess)	\$ (66,757)	\$ (54,510)	\$ --	\$ --
Covered-employee payroll	\$ 324,482	\$ 417,794	\$ 659,097	\$ 626,963
Contributions as a percentage of covered-employee payroll	78.06%	40.20%	23.42%	10.15%

Notes to Schedule:

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, based on the actuarial valuation for the plan year ended December 31 for the next fiscal year.
Actuarial cost method	Individual entry-age
Amortization method	Asset smoothing method
Remaining amortization period	20 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.75% - 14.75%
Investment rate of return	7.75%
Retirement age	60 years
Mortality	50% Male - 50% Female blend based on the following tables: RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105% RP-2014 Employee Mortality Tables RP-2014 Juvenile Mortality Tables

2014	2013	2012	2011	2010	2009
\$ 60,094	\$ 58,643	\$ 70,466	\$ 79,887	\$ 97,750	\$ 102,026
60,094	58,643	70,466	79,887	97,750	102,026
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
\$ 594,969	\$ 574,531	\$ 604,520	\$ 1,082,552	\$ 1,089,773	\$ 1,350,541
10.10%	10.21%	11.66%	7.38%	8.97%	7.55%

CITY OF ALGONAC

Required Supplementary Information

Schedule of Changes in the Net OPEB Liability and Related Ratios

June 30, 2019

(Per latest actuarial report dated June 30, 2019)

	2019	2018
Total OPEB Liability		
Service cost	\$ 1,873	\$ 4,387
Interest	13,695	13,129
Differences between expected and actual experience	27,644	390
Benefit payments, including refunds of member contributions	(8,643)	(17,124)
Net change in total OPEB liability	34,569	782
<i>Total OPEB Liability - Beginning</i>	<i>194,705</i>	<i>193,923</i>
Total OPEB Liability - Ending (a)	\$ 229,274	\$ 194,705
Plan Fiduciary Net Position		
Contributions - employer	\$ 25,821	\$ 26,678
Net investment income	18,550	44,474
Benefit payments, including refunds of member contributions	(8,643)	(17,124)
Administrative expense	(1,328)	(1,488)
Other	(30,521)	--
Net change in plan fiduciary net position	3,879	52,540
<i>Plan Fiduciary Net Position - Beginning</i>	<i>641,880</i>	<i>589,340</i>
Plan Fiduciary Net Position - Ending (b)	\$ 645,759	\$ 641,880
Total Net OPEB Liability - Ending (a)-(b)	\$ (416,485)	\$ (447,175)
Plan Fiduciary Net Position as a percentage of the total OPEB liability	281.65%	329.67%
Covered employee payroll	\$ 130,600	\$ 99,605
Total net OPEB liability as a percentage of covered employee payroll	-318.90%	-448.95%

Notes to Schedule:

Presentation: GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions requires presentation of 10 years of comparative information for the Schedule of Changes in the Net OPEB Liability and Related Ratios. This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years which data is available, beginning with June 30, 2018.

CITY OF ALGONAC

**Required Supplementary Information
Schedule of Employer's OPEB Contributions
June 30, 2019
(Per latest actuarial report dated June 30, 2019)**

	2019	2018	2017	2016
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	25,821	26,678	25,000	25,000
Contribution deficiency (excess)	\$ (25,821)	\$ (26,678)	\$ (25,000)	\$ (25,000)
Covered-employee payroll	\$ 130,600	\$ 99,605	\$ 161,541	\$ 157,562
Contributions as a percentage of covered-employee payroll	19.77%	26.78%	15.48%	15.87%

Notes to Schedule:

Valuation date:

Current valuation methods

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. Covered employee payroll is as of June 30 of the current fiscal year.

Prior to fiscal year June 30, 2018

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Covered employee payroll is as of June 30 of the current fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level Dollars
Remaining amortization period	30 years
Asset valuation method	Market
Inflation	2.50%
Healthcare cost trend rates	8.5%, graded down to ultimate 4.5% in 0.25% increments
Salary increases	2.50%
Investment rate of return	7.0%, net of plan investment expense
Retirement age	Not provided by actuary
Mortality	RP 2014 Healthy Annuitant Mortality Table

2015	2014	2013	2012	2011	2010
\$ 17,871	\$ 17,790	\$ 17,714	\$ 17,714	\$ 72,164	\$ 69,057
25,000	25,000	25,000	77,740	73,210	61,119
\$ (7,129)	\$ (7,210)	\$ (7,286)	\$ (60,026)	\$ (1,046)	\$ 7,938
\$ 143,781	\$ 208,680	\$ 279,702	\$ 263,732	\$ 1,082,552	\$ 318,193
17.39%	11.98%	8.94%	29.48%	6.76%	19.21%

CITY OF ALGONAC
Other Postemployment Benefits Trust
Required Supplementary Information
Schedule of Investment Returns
June 30, 2019

	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	2.92 %	7.31 %

Notes to Schedule:

Presentation: GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* requires presentation of 10 years of comparative information for the Schedule of Investment Returns. This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show those years which data is available, beginning with June 30, 2018.

SUPPLEMENTAL INFORMATION

CITY OF ALGONAC
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

Special Revenue

Library

ASSETS

Cash and cash equivalents

\$ 40,807

Accounts and assessment receivable

4,441

Total Assets

45,248

DEFERRED OUTFLOWS OF RESOURCES

Aggregated deferred outflows

--

Total Assets and Deferred Outflows of Resources

\$ 45,248

LIABILITIES

Accounts payable

\$ 1,351

Total Liabilities

1,351

DEFERRED INFLOWS OF RESOURCES

Aggregated deferred inflows

--

Total Liabilities and Deferred Inflows of Resources

1,351

FUND BALANCE

Restricted

43,897

Total Fund Balance

43,897

Total Liabilities, Deferred Inflows of Resources and Fund Balance

\$ 45,248

CITY OF ALGONAC

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2019**

	<u>Special Revenue</u>
	<u>Library</u>
Revenues	
Miscellaneous revenue	\$ 22,841
Contributions from other local units	5,000
Interest revenue	445
Total Revenues	<u>28,286</u>
Expenditures	
<i>Current</i>	
Recreation and cultural	28,673
Equipment rental	59
Total Expenditures	<u>28,732</u>
Excess of Revenues Over (Under) Expenditures	<u>(446)</u>
Other Financing Sources (Uses)	
Transfers from other funds	5,000
Net Other Financing Sources (Uses)	<u>5,000</u>
Net Change in Fund Balance	4,554
<i>Fund Balance at Beginning of Period</i>	<u>39,343</u>
Fund Balance at End of Period	\$ 43,897

CITY OF ALGONAC

**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Library
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Other revenue	\$ 28,000	\$ 24,875	\$ 22,841	\$ (2,034)
Contributions from other local units	5,000	5,000	5,000	--
Interest and rents revenue	50	450	445	(5)
Total Revenues	33,050	30,325	28,286	(2,039)
Other Financing Sources				
Transfers from other funds	5,000	5,000	5,000	--
Total Revenues and Other Financing Sources	38,050	35,325	33,286	(2,039)
Expenditures				
Library	35,290	35,110	28,732	6,378
Total Expenditures	35,290	35,110	28,732	6,378
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	35,290	35,110	28,732	6,378
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	2,760	215	4,554	4,339
Net Change in Fund Balance	2,760	215	4,554	4,339
Fund Balance at Beginning of Period	39,343	39,343	39,343	--
Fund Balance at End of Period	\$ 42,103	\$ 39,558	\$ 43,897	\$ 4,339

CITY OF ALGONAC
Schedule of Indebtedness
June 30, 2019

St. Clair County Sewage Disposal System No. 1 City of Algonac Bonds - Refunding Series 2012:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Total		
				Principal	Interest	
2/22/2012	\$ 627,692	2.000 %	2020	\$ 57,692	\$ 5,758	\$ 63,450
		2.250	2021	60,000	4,604	64,604
		2.500	2022	62,308	3,254	65,562
		2.625	2023	64,615	1,696	66,311
Total Sewer Disposal System 2012 Bonds				244,615	\$ 15,312	\$ 259,927

Principal due April 1
Interest due April 1 and October 1

Drinking Water Filtration System City of Algonac Bonds - Series 1998:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Total		
				Principal	Interest	
9/29/1998	\$ 7,830,600	2.500 %	2020	\$ 183,975	\$ 2,300	\$ 186,275
Total Drinking Water System 1998 Bonds				\$ 183,975	\$ 2,300	\$ 186,275

Principal due October 1
Interest due April 1 and October 1

Total Bonded Indebtedness 428,590

Capital Lease:
Copier lease

Amount	Interest Rate	Payable In Fiscal Year Ended June 30	Total		
			Principal	Interest	
\$ 7,560	N/A	2020	\$ 1,512	\$ --	\$ 1,512
		2021	126	--	126
Total Capital Lease			1,638	\$ --	\$ 1,638

TOTAL INDEBTEDNESS \$ 430,228

CITY OF ALGONAC

**Schedule of Code Enforcement Allocation
Pursuant to Public Act 245 of 1999, As Amended
For the Year Ended June 30, 2019**

Code Enforcement Revenues:

Building	\$	15,911
Electrical		8,611
Mechanical		7,700
Plumbing		4,651
Rental inspections		4,600
Zoning		1,150
Special Event		3,796
<i>Total Revenues</i>		<u>46,419</u>
Total Inspections Department Expenses		<u>(103,046)</u>
<i>Net Excess of Expenditures Over Revenues for Code Enforcement at June 30, 2019</i>	\$	<u>(56,627)</u>