

**CITY OF GLADSTONE, MICHIGAN**

**BASIC FINANCIAL STATEMENTS  
with Supplemental Information**

**March 31, 2021**

# TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditor's Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	4
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Position .....	16
Statement of Activities .....	18
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	19
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position .....	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	22
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities .....	24
Statement of Net Position - Proprietary Funds .....	25
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds .....	27
Statement of Cash Flows - Proprietary Funds .....	29
Statement of Fiduciary Net Position .....	31
Statement of Changes in Fiduciary Net Position .....	32
Notes to the Basic Financial Statements .....	33
<b>Required Supplemental Information:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund .....	72
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Major Street Fund.....	73
Schedule of Changes in Net Pension Liability and Related Ratios-Retirement System.....	74
Schedule of Employer Contributions Retirement System.....	75

# TABLE OF CONTENTS

	<u>Page</u>
<b>Other Supplemental Information:</b>	
Combining Balance Sheet - Nonmajor Governmental Funds .....	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	78
Combining Statement of Net Position - Nonmajor Proprietary Funds .....	80
Combining Statement of Revenues, Expenses and Changes in Net Position - Nonmajor Proprietary Funds .....	81
Combining Statement of Cash Flows - Nonmajor Proprietary Funds .....	82
Combining Statement of Net Position - Internal Service Funds .....	83
Combining Statement of Revenues, Expenses and Changes in Net Position - Internal Service Funds .....	84
Combining Statement of Cash Flows - Internal Service Funds .....	85
<b>Additional Supplemental Information:</b>	
Utility Funds Schedule of Operating Statistics (Unaudited) .....	86
Schedule of State Equalized Valuation & Taxable Values (Unaudited) .....	87
Schedule of Annual Tax Rates (Per \$1,000 Valuation) (Unaudited) .....	88
<b>Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....</b>	
	<b>90</b>



**ANDERSON, TACKMAN & COMPANY, PLC**  
**Certified Public Accountants**

Kristine P. Berhow, CPA, Principal  
Brandy M. Olson, CPA, Principal  
Kathleen A. Ciantar, CPA, Principal

---

*“A Regional Firm Within the Upper Peninsula of Michigan”*

## **INDEPENDENT AUDITOR’S REPORT**

To the Mayor, Members of the  
City Commission, and Management  
City of Gladstone, Michigan

### **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 Gladstone, Michigan as of and for the year ended March 31, 2021, and the related notes to the financial statements. We were not engaged to audit the financial statements of the discretely presented component unit (Gladstone Housing Commission). These financial statements collectively comprise the City’s basic financial statements as listed in the table of contents.

### **Management’s Responsibility for the Financial Statements**

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

### **Auditor’s Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the “Basis for Disclaimer of Opinion” paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the discretely presented component unit.

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.

Except for the matter described in the “Basis for Disclaimer of Opinion on the Discretely Presented Component Unit” paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Summary of Opinions**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Disclaimer
General Fund	Unmodified
Major Streets Fund	Unmodified
General Debt Service Fund	Unmodified
Capital Projects Fund	Unmodified
Electric Utility Fund	Unmodified
Waste Water Utility Fund	Unmodified
Water Utility Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

**Basis for Disclaimer of Opinion on Discretely Presented Component Unit**

The financial statements of the Gladstone Housing Commission have not been audited, and we were not engaged to audit the Gladstone Housing Commission financial statements as part of our audit of the City’s basic financial statements. The Gladstone Housing Commission’s financial activities are included in the City’s basic financial statements as a discretely presented component unit and represent 100 percent of the assets, net position, and revenues of the City’s discretely presented component units. Management of the Gladstone Housing Commission were unable to complete their audit of the financial statements within the required time parameter due to the untimely death of their engaged auditor.

**Disclaimer of Opinion**

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion on the Discretely Presented Component Unit” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit of the City of Gladstone, Michigan. Accordingly, we do not express an opinion on these financial statements.

**Unmodified 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 Gladstone, Michigan, as of March 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, the schedules of net pension liability and related ratios for the retirement system, and the schedules of employer contributions for the retirement system, as listed in the table of contents, 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 Gladstone’s basic financial statements. The combining and individual nonmajor fund financial statements, schedule of operating statistics, schedule of state equalized valuation and taxable values, and schedule of annual tax rates (per \$1,000 valuation) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The utility funds schedule of operating statistics, schedule of state equalized valuation and taxable values, and schedule of annual tax rates (per \$1,000 valuation) have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2021, on our consideration of the City of Gladstone’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 Gladstone’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 Gladstone’s internal control over financial reporting and compliance.



ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Escanaba, Michigan

September 27, 2021

## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Gladstone's financial performance provides an overview of the City's financial activities for the fiscal year ending March 31, 2021. Please read it in conjunction with the City's financial statements, which begin on page 16.

### FINANCIAL HIGHLIGHTS

- The City's net position was reported at \$19,206,217. Net position increased \$2,118,801 from March 31, 2020, Net position for our business-type activities was \$11,257,893, an increase of \$446,731 from 2020, while net position in our governmental activities was \$7,948,324, an increase of \$1,672,070 from 2020.
- The City's expenses for the year totaled \$10,657,260, a decrease of \$1,129,781 over 2020. Revenue from all sources was \$12,776,061, an increase of \$1,710,045 from 2020.
- In the City's business-type activities, total revenues were \$6,788,272, an increase of 2.3% over the previous year. Business-type activity revenues as a percentage of total revenues were 53% for 2021 compared to 60% for 2020.
- In 2021, the City received \$154,496 from the Dr. Mary Cretens Trust which was budgeted for expenditure in the 2022 fiscal year. In 2020, the City received \$156,558 from the Trust which was budgeted for expenditure in the 2021 fiscal year.
- The General Fund finished the year with a decrease in fund balance of \$225,035 and an ending fund balance of \$508,139. This was after revenues of \$3,469,462 compared to \$3,071,441 in 2020, and expenditures of \$3,760,487 compared to expenditures of \$3,714,615 in 2020, exclusive of other financing sources and uses. The General Fund had other financing sources of \$65,990 in 2021 compared to \$465,227 in 2020.
- The City eliminated its net OPEB liability in fiscal year 2020 by reaching buyout agreements with all retirees and making those payments before year end. The City also negotiated buyout agreements with active employees. Depending on the agreement, these buyouts will be paid over the next several years and are shown on the Statement of Net Position.
- The 9<sup>th</sup> Street Infrastructure Project Special Assessment was assessed in 2021 with a certified roll of \$706,748. The 4<sup>th</sup> Street Infrastructure Project Special Assessment was also assessed in 2021 with a certified roll of \$125,021.

### USING THIS REPORT

This annual report consists of financial statements. The Statement of Net Position and Statement of Activities (on pages 16 through 18) 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 start on page 19. For governmental activities, these statements tell how 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 statements by providing information about the City's most significant funds. The remaining statement provides financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of government.

## Reporting the City as a Whole

### Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 7. One of the most important questions asked about a city's finances is "Is the City as a whole better off or in worse condition as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net position* and changes in them. You can think of the City's net position as, the difference between assets and liabilities, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall financial health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two categories of activities:

*Governmental activities* – Most of the City's basic services are reported here including public safety, public works, parks and recreation and general administration. Property taxes, state shared revenues, charges for services and state and federal grants fund the majority of these activities.

*Business-type activities* – The City charges a fee to customers to help cover all or most of the costs of certain services it provides. The City's Water, Wastewater, Electrical Departments, Solid Waste, Harbor and Economic Development Corporation are reported here.

The City's financial statements include unaudited financial information for the Gladstone Housing Commission, a legally separate component unit. A separately audited financial statement is available for the Housing Commission from their administrative offices. However, the final audited financial statement was not available as of the date of these financial statements.



## Reporting the City's Most Significant Funds

### Fund Financial Statements

Our analysis of the City's Major Funds begins on page 11. The fund financial statements begin on page 19 and provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law, and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that the Commission is meeting legal requirements for certain taxes, grants and other money (such as grants received from the U.S. Department of Housing and Urban development). The City's two kinds of funds *governmental* and *proprietary* – use different accounting methods.

*Governmental funds* – Most of the City's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the City's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.

*Proprietary funds* - When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other City programs and activities – such as the Retirement System Fund, and Employee Health Care Fund.

### The City as a Trustee

The City is the trustee, *or fiduciary*, of tax receipts that are collected for other agencies and held for periodic payment to those agencies. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 31-32. We exclude these funds from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## The City as a Whole

The City's combined net position increased by \$2,118,801.

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities	
	2021	2020	2021	2020
Current and other assets	\$ 4,010,618	\$ 8,254,221	\$ 6,264,112	\$ 6,298,085
Capital assets (net)	13,296,461	8,213,151	8,103,186	7,798,667
<b>Total Assets</b>	<b>\$ 17,307,079</b>	<b>\$ 16,467,372</b>	<b>\$ 14,367,298</b>	<b>\$ 14,096,752</b>
Deferred outflows	\$ 404,907	\$ 496,495	\$ 173,710	\$ 211,963
Long-term obligations	\$ 4,631,263	\$ 4,955,614	\$ 415,718	\$ 470,718
Other liabilities	4,716,691	5,389,606	2,691,340	2,892,479
<b>Total Liabilities</b>	<b>\$ 9,347,954</b>	<b>\$ 10,345,220</b>	<b>\$ 3,107,058</b>	<b>\$ 3,363,197</b>
Deferred inflows	\$ 415,708	\$ 342,393	\$ 176,057	\$ 134,356
Net Position:				
Net investment in capital assets	\$ 8,997,102	\$ 3,659,576	\$ 7,687,468	\$ 7,327,949
Restricted:				
Expendable	1,800,922	6,136,390	39,727	39,727
Nonexpendable	275,578	274,109	-	-
Unrestricted	(3,125,278)	(3,793,821)	3,530,698	3,443,486
<b>Total net position</b>	<b>\$ 7,948,324</b>	<b>\$ 6,276,254</b>	<b>\$ 11,257,893</b>	<b>\$ 10,811,162</b>

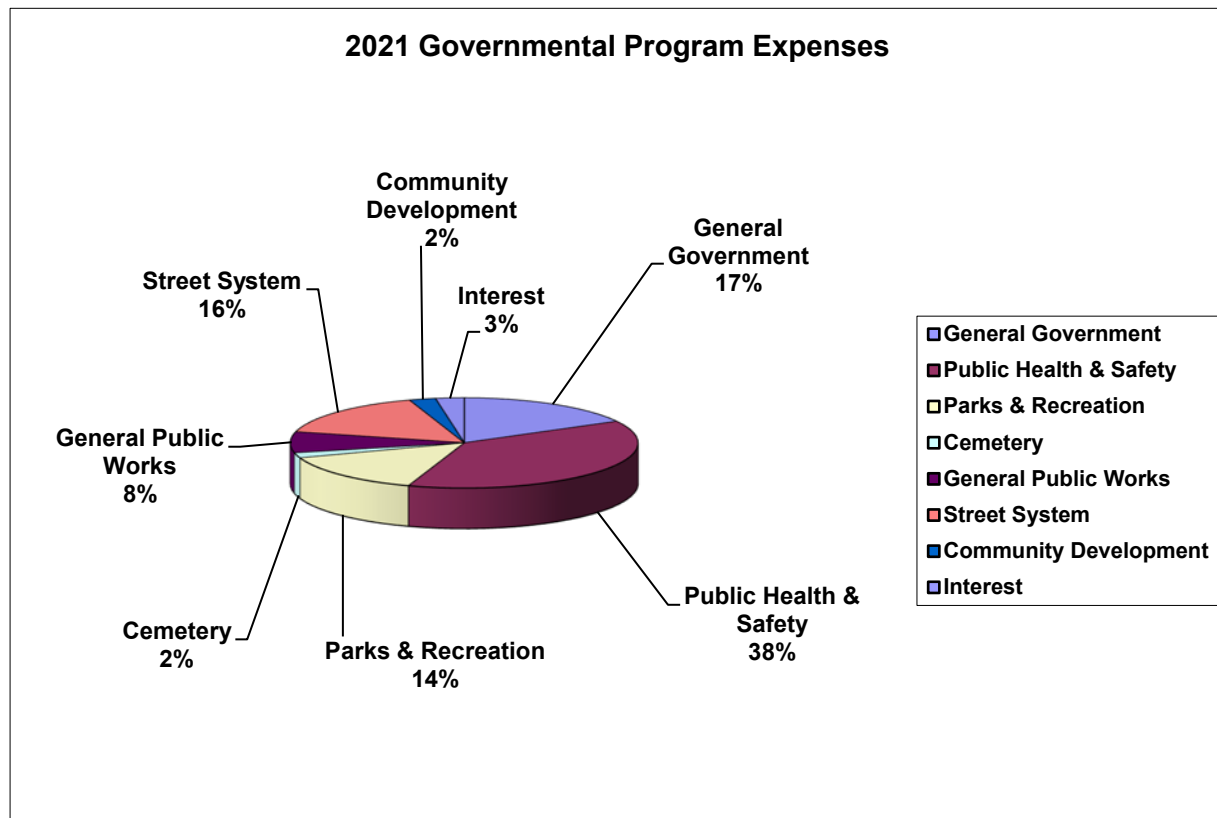
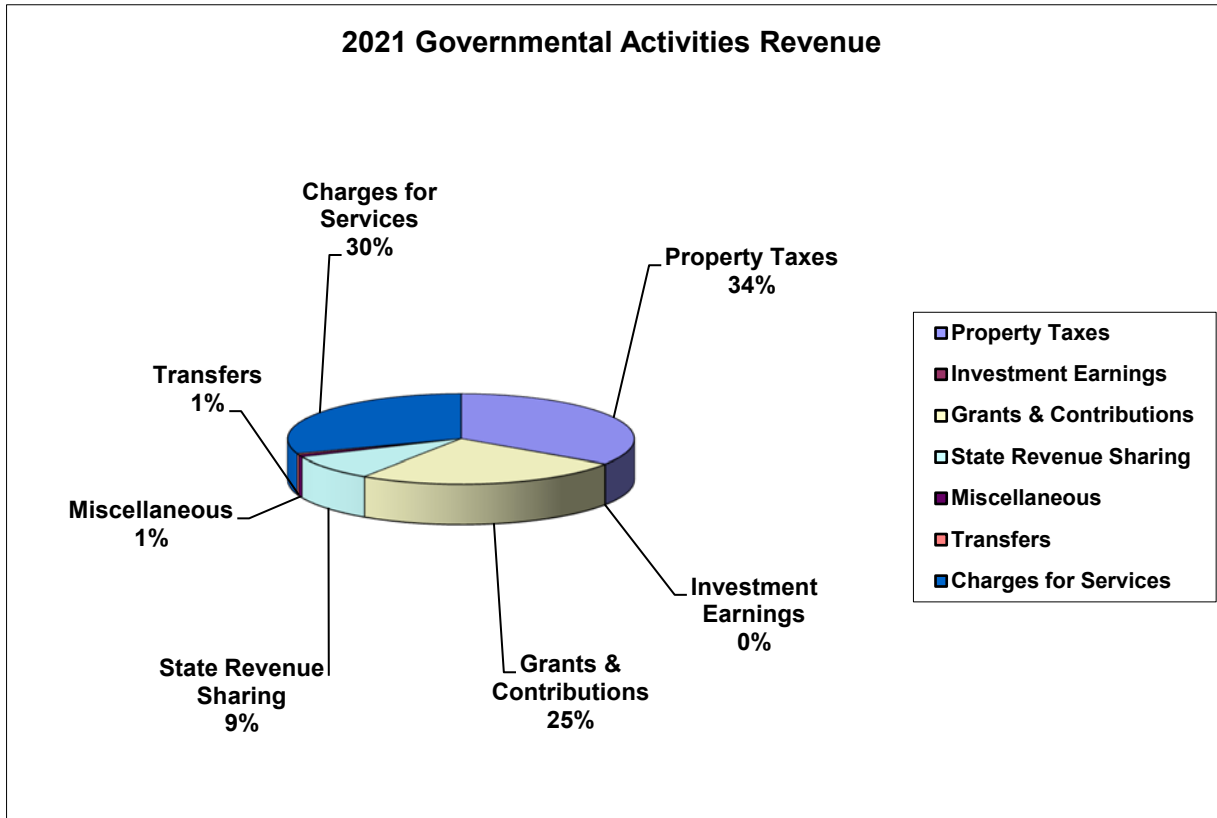
Net position of the City's governmental activities stood at \$7,948,324, up from \$6,276,254 in 2020 (27%). Total governmental activities' assets increased by 5%, and total liabilities decreased by 10%. The ratio of assets to liabilities increased slightly from 1.59 in 2020 to 1.85 in 2021. The primary cause of the changes is a new bond obtained near year end of 2020 for the 9<sup>th</sup> Street infrastructure project, with the construction taking place in 2021.

Net position in our business-type activities stood at \$11,257,893, up from \$10,811,162 in 2020 (4%). Total assets increased to \$14,367,298 from \$14,096,752 in 2020, and liabilities decreased to \$3,107,058 from \$3,363,197 in 2020. Unrestricted net position increased to \$3,530,698 from \$3,443,486, while the amount invested in capital assets (net of related debt) also increased to \$7,687,468 from \$7,327,949 in 2020. There was \$39,727 in restricted net position for the Economic Development Corporation Fund.

**Table 2**  
**Changes in Net Position**

	Governmental		Business-Type	
	Activities		Activities	
	2021	2020	2021	2020
<b>Revenues:</b>				
Program Revenues:				
Charges for services	\$ 1,833,422	\$ 647,514	\$ 6,552,877	\$ 6,256,653
Operating grants	1,019,363	826,190	-	-
Capital grants	310,529	70,563	220,037	327,027
General Revenues:				
Property taxes	2,074,769	2,071,961	-	-
State revenue sharing	542,264	563,600	-	-
Unrestricted grants	170,333	172,688	-	-
Unrestricted investment earnings	(6,485)	8,944	16,124	59,778
Miscellaneous	39,994	70,890	-	-
Total Revenues	<u>5,984,189</u>	<u>4,432,350</u>	<u>6,789,038</u>	<u>6,643,458</u>
<b>Program Expenses:</b>				
General government	741,442	873,627	-	-
Public health & safety	1,657,272	1,978,775	-	-
Parks & recreation	625,215	818,812	-	-
Cemetery	80,711	93,747	-	-
General public works	326,423	390,734	-	-
Street system	693,687	822,807	-	-
Community development	106,607	167,328	-	-
Interest on long-term debt	115,362	11,621	-	-
Electric	-	-	3,881,307	3,739,024
Wastewater	-	-	1,104,477	1,451,353
Water	-	-	768,582	963,169
Solid waste	-	-	445,554	378,167
Harbor	-	-	87,170	87,005
Economic development	-	-	23,451	10,872
Total Expenses	<u>4,346,719</u>	<u>5,157,451</u>	<u>6,310,541</u>	<u>6,629,590</u>
Excess (deficiency) before transfers and contributions	1,637,470	(725,101)	478,497	13,868
Transfers	31,000	442,803	(31,000)	(442,803)
Contributions to permanent fund	3,600	700	-	-
Gain/(loss) on sale of fixed assets	-	-	(766)	(10,492)
Increase (decrease) in net position	<u>1,672,070</u>	<u>(281,598)</u>	<u>446,731</u>	<u>(439,427)</u>
Net position - beginning	6,276,254	6,831,352	10,811,162	11,250,589
Prior period adjustment	-	(273,500)	-	-
Net position - beginning, as restated	<u>6,276,254</u>	<u>6,557,852</u>	<u>10,811,162</u>	<u>11,250,589</u>
Net position - ending	<u>\$ 7,948,324</u>	<u>\$ 6,276,254</u>	<u>\$ 11,257,893</u>	<u>\$ 10,811,162</u>

**GOVERNMENTAL ACTIVITIES**



The City’s total revenues were \$12,776,061, up from \$11,066,016 in 2020. The cost of all programs and services was \$10,657,260, down from \$11,787,041 in 2020. For 2021, there was an overall excess of revenues over expenses of \$2,118,801, compared to an excess of expenses over revenue of \$721,025 in 2020.

**Governmental Activities**

Revenues for the City’s governmental activities totaled \$6,018,789, up 23.4% from \$4,875,853 in 2020. The increase in revenues primarily relates to new special assessments for 4<sup>th</sup> Street and 9<sup>th</sup> Street infrastructure projects, capital contributions for streets projects, and other grants resulting from Covid-19 funding. Expenses decreased by 15.7% or \$810,732 in 2021 as compared to 2020. Almost all departments saw a decrease in program expenses. The allocation of pension expense and related adjustments resulted in an overall decrease of about \$261,000 in 2021. In addition, there were expenses of about \$227,000 in 2020 related to OPEB contributions and buyouts that were not made in 2021. The City also had a decrease in expenses for certain programs and training due to the impacts of Covid-19.

Table three below reflects the cost of each of the City’s five largest activities; Public Safety, Street Systems, Parks and Recreation, Public works, and General Government- as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

**Table 3  
Government Activities**

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Public health & safety	\$ 1,657,272	\$ 1,978,775	\$ 1,476,056	\$ 1,904,368
Street systems	693,687	822,807	(1,300,492)	(24,268)
Parks & recreation	625,215	818,812	442,430	536,742
Public Works	326,423	390,734	152,343	187,154
General government	741,442	873,627	203,070	782,046
Totals	<u>\$ 4,044,039</u>	<u>\$ 4,884,755</u>	<u>\$ 973,407</u>	<u>\$ 3,386,042</u>

**Business-Type Activities**

Revenues for the City’s business-type activities totaled \$6,788,272 up from \$6,632,966 in 2020 (+2.3%). Business-type activity expenses decreased by \$319,049 (-4.8%). The decreased expenses were primarily in the Wastewater and Water Funds and related to personnel costs and contracted services.

## **THE CITY'S FUNDS**

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on page 19) reported a combined fund balance of \$2,585,139, a decrease of \$4,558,534 from 2020. The combined decrease in fund balance, in large part, comes from bond proceeds received near year end of 2020, but the majority of the construction was performed during 2021.

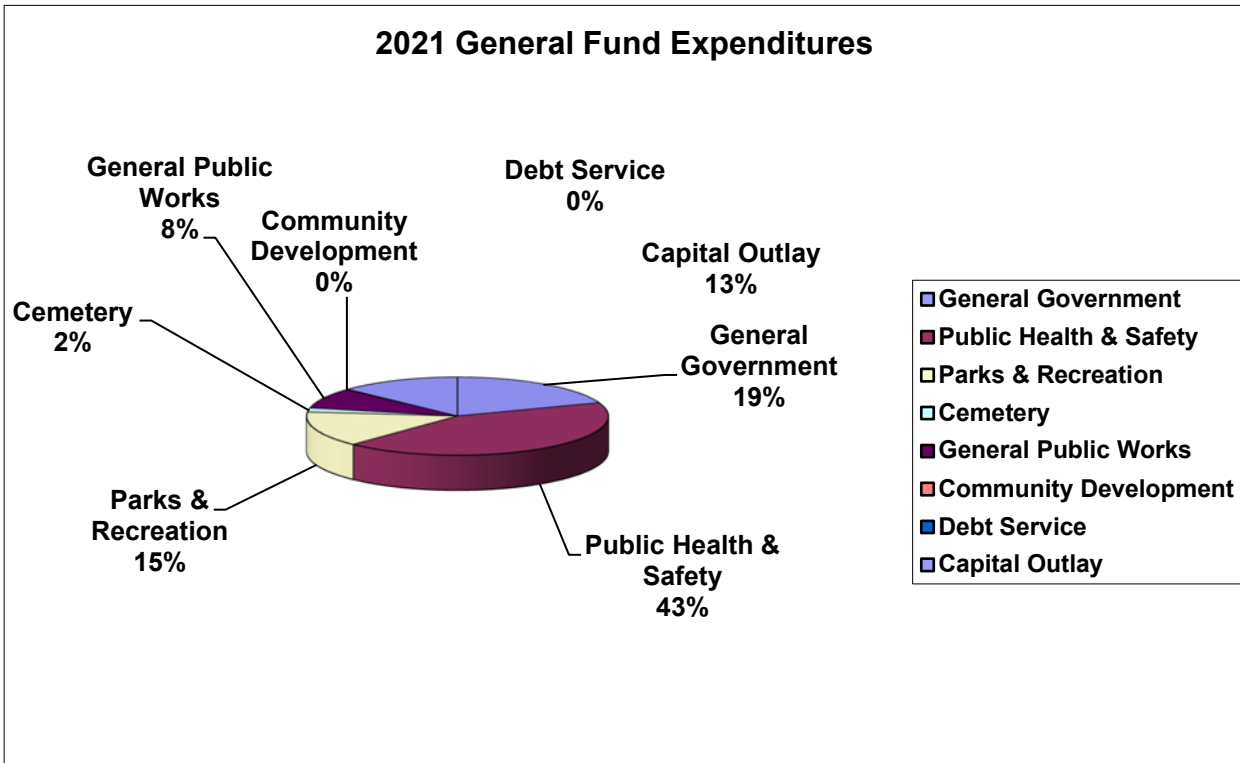
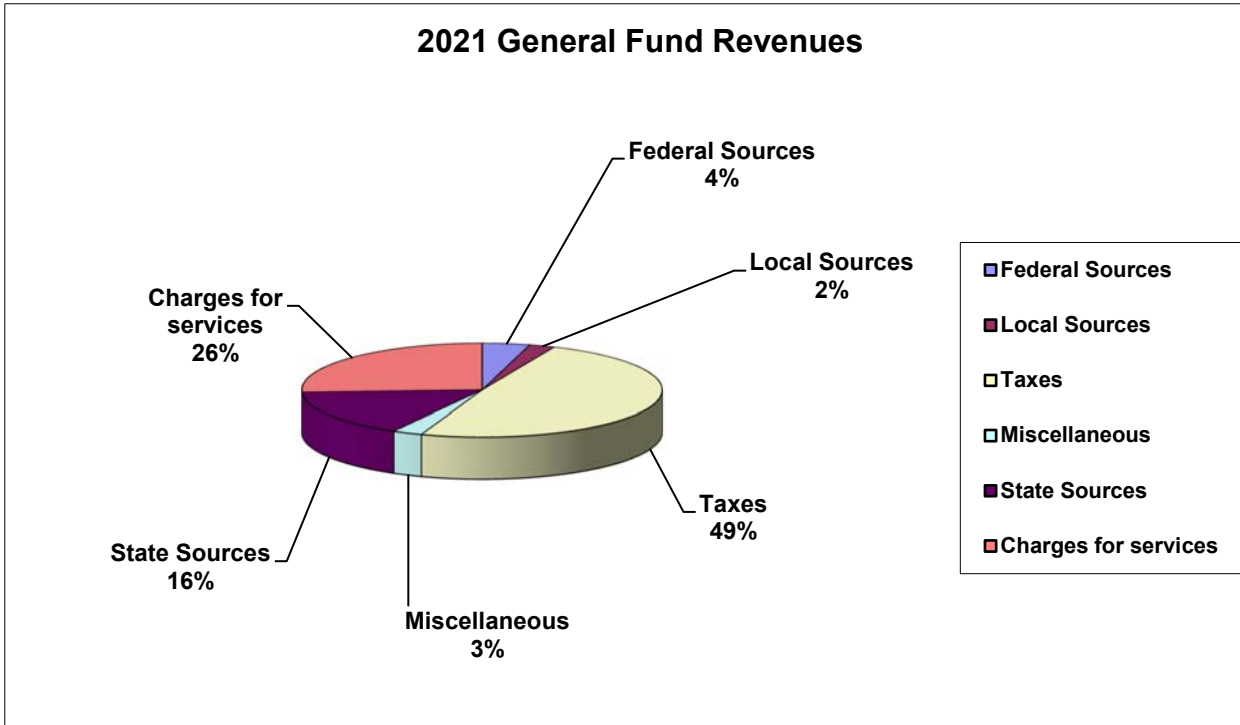
### **General Fund Budgetary Highlights**

Over the course of the year, the budget was amended to recognize known changes to revenue or expenditures. Revenues were less than the amended budget by \$308,744. Total General Fund revenue of \$3,469,462 was 8.2% lower than the revised revenue estimate of \$3,778,206. The final revenue amount was less than revised estimates primarily due to charges for services not meeting expectations. Total revenue for 2021 was \$398,021 higher than the 2020 fiscal year revenue. The primary factor for this increase was a reclassification of administrative fees from transfers to charges for service.

Expenditures were less than the amended budget by \$604,738. Total General Fund expenditures of \$3,760,487 were 13.9% lower than the revised expenditure estimates of \$4,365,225. Final expenditures were less than budgeted primarily due to reduced expenses in public safety and capital outlay. The final expenditures for 2021 were \$45,872 higher than the 2020 fiscal year expenditures.

The final expenditures exceeded revenues by \$291,025 for the year before transfers. Expenditures still exceeded revenues by \$225,035 after net transfers in of \$65,990. As a result, the General Fund had a decrease in fund balance, that was slightly more than the budgeted decrease in fund balance of \$174,679.

**General Fund**



## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2020, the City had \$21,399,647, net of accumulated depreciation, invested in a variety of capital assets including public safety equipment, buildings, parks, roads, water, wastewater and electric distribution line. This was up from \$16,011,818 in 2020. The primary increase related to road system projects in 2021. (See table 4 below). Additional information on the City's capital assets can be found in Note D.

**Table 4**  
**Capital Assets at Year-End**  
**(net of accumulated depreciation)**

	Governmental Activities		Business-Type Activities	
	2021	2020	2021	2020
Land	\$ 1,619,627	\$ 1,619,627	\$ 236,836	\$ 236,836
Construction in progress	-	373,455	20,861	20,861
Land Improvements	364,733	397,343	-	-
Buildings	1,358,078	1,437,356	618,826	665,824
Machinery & Equipment	1,610,472	1,253,449	1,022,012	1,012,230
Infrastructure - Road System	7,320,466	2,012,848	-	-
Infrastructure - Other	1,023,085	1,119,073	294,294	317,265
Distribution/Collection System	-	-	5,910,357	5,545,651
Total	<u>\$ 13,296,461</u>	<u>\$ 8,213,151</u>	<u>\$ 8,103,186</u>	<u>\$ 7,798,667</u>



## Debt

At year-end, the City had \$5,046,981 in long-term liabilities, bonds and notes outstanding. This is a net decrease of \$379,351 in total long-term debt resulting from annual debt service payments. The State of Michigan limits the amount of general obligation debt that municipalities can issue to 10% of the current equalized valuation, including TIF valuations, within the City’s corporate limits. The City’s outstanding general obligation debt is well below the 10% limit. Additional information on the City’s debt can be found in Note E.

**Table 5  
Outstanding Debt at Year-End**

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
General obligation bonds/premium (backed by the City)	\$ 4,526,902	\$ 4,797,038	\$ -	\$ -	\$ 4,526,902	\$ 4,797,038
Other liabilities	50,000	100,000	-	-	50,000	100,000
Notes payable	54,361	58,576	-	-	54,361	58,576
Revenue bonds and notes (backed by specific tax and fee revenues)	-	-	415,718	470,718	415,718	470,718
<b>Totals</b>	<b>\$ 4,631,263</b>	<b>\$ 4,955,614</b>	<b>\$ 415,718</b>	<b>\$ 470,718</b>	<b>\$ 5,046,981</b>	<b>\$ 5,426,332</b>

## ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City’s elected and appointed officials will consider many factors when setting the fiscal year budget and fees that will be charged for business type activities. One of those factors is the economy. Most Michigan municipalities, including Gladstone are still struggling with the State’s outdated financial system; the cost of doing business is still increasing sometimes beyond our control. Gladstone takes pride in being the “year round playground” and we will endeavor to maintain the services currently offered to our residents in the most efficient, cost effective manner to continue to make our City the community of choice in the Upper Peninsula.

The 21/22 budget will require significant amendment after calculating the anticipated impact of the coronavirus (COVID-19) pandemic and potential grants. At the current time, the City is unable to quantify these potential effects.

The two largest sources of revenue for the General Fund are taxes and state shared revenue. The City has had development to increase the tax base, but state shared revenue is expected to remain flat or decrease. Unfortunately, we were not able to attain the commission directed general fund unassigned fund balance goal of 20 to 30% of expenditures. This target was passed with the new Fund Balance Policy approved at the 10/23/2017 regular Commission Meeting. However, \$30,000 negative fund balance in 2009 to a positive unassigned fund balance of \$196,705 says a great deal for the General Fund. The City strives to continue to deliver the same level of service our residents expect. This is where thinking outside the box is key. We continue to rely on staff and citizen input to provide ideas and opportunities for better and more efficient services.

The Major Street and Local Street Funds continue to be a concern. Over the past couple years, the Act 51 revenue has been slightly increasing but is not back to where it was a number of years ago while the cost of materials doubles. Therefore, special assessments are necessary to maintain the roads we have.

Business type activities budgets saw minimal rate increases. With these rate increases the city strives to maintain quality, yet affordable services to our community. The city will continually monitor costs; however, it appears that certain business type activities accounts are not yet producing enough cash to adequately plan for long-term maintenance projects. We will plan for these projects mindful of maintaining an affordable rate structure for our residents and businesses.

## **MISSION STATEMENT**

We are a caring community with a passion for providing the highest quality of life by embracing innovative ideas while maintaining a hometown atmosphere.

## **VISION STATEMENT**

The City of Gladstone will be the community of choice in the Upper Great Lakes that provides four seasons of recreational activities in a safe, progressive community.

## **GUIDING PRINCIPALS**

We value...

**Integrity:** Honesty and openness in our commitments.

**Fiscal Responsibility:** Providing responsible stewardship of the City's assets and resources.

**Teamwork:** Working collaboratively to build and maintain productive relationships.

**Quality of Life:** Providing services that support our small town values and close-knit community.

**Innovation:** Continually improving our community by being progressive and innovative.

**Fair and equitable practice:** Promoting respect and equal consideration to residents, businesses and visitors.

**Timely, efficient, and responsive services:** Meeting our resident's and customer's needs in a prompt, professional and courteous manner.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the City's finances and to show the City's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the City Treasurer, or the City Manager at Gladstone City Hall, 1100 Delta Ave, Gladstone, Michigan, 49837.

**CITY OF GLADSTONE, MICHIGAN**  
**STATEMENT OF NET POSITION**  
**March 31, 2021**

	Primary Government			Component Unit (Unaudited)
	Governmental Activities	Business-Type Activities	Total	Housing Commission
<b>ASSETS</b>				
Current assets:				
Cash, cash equivalents and investments	\$ 1,714,627	\$ 2,032,816	\$ 3,747,443	\$ 166,112
Receivables:				
Accounts	29,546	-	29,546	569
Utilities	-	1,158,519	1,158,519	-
Special assessments	646,241	-	646,241	-
Miscellaneous	75,926	36,874	112,800	109
Due from other governmental units	343,715	-	343,715	-
Internal balances	4,445	(4,445)	-	-
Prepaid items	40,364	16,584	56,948	36,441
Inventory	15,114	190,682	205,796	-
Restricted cash, cash equivalents and investments	706,700	-	706,700	-
Total current assets	<u>3,576,678</u>	<u>3,431,030</u>	<u>7,007,708</u>	<u>203,231</u>
Noncurrent assets:				
Investments	776,165	2,221,853	2,998,018	245,825
Internal balances	(611,229)	611,229	-	-
Restricted investments	269,004	-	269,004	-
Non-depreciable capital assets	1,619,627	236,836	1,856,463	69,466
Capital assets, net of accumulated depreciation	11,676,834	7,866,350	19,543,184	331,603
Total noncurrent assets	<u>13,730,401</u>	<u>10,936,268</u>	<u>24,666,669</u>	<u>646,894</u>
Total assets	<u>\$ 17,307,079</u>	<u>\$ 14,367,298</u>	<u>\$ 31,674,377</u>	<u>\$ 850,125</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflow - pension plan	<u>\$ 404,907</u>	<u>\$ 173,710</u>	<u>\$ 578,617</u>	<u>\$ -</u>

See accompanying notes to financial statements.

	Primary Government			Component Unit (Unaudited)
	Governmental Activities	Business-Type Activities	Total	Housing Commission
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 23,651	\$ 397,813	\$ 421,464	\$ 13,184
Accrued interest	9,196	-	9,196	-
Accrued payroll	61,584	38,184	99,768	8,797
Customer deposits	-	80,692	80,692	8,975
Unearned revenue	13,935	47,821	61,756	16
Other liabilities	27,593	-	27,593	25,539
Compensated absences	38,483	29,254	67,737	7,052
Employment benefits	87,500	81,000	168,500	-
Bonds payable	250,000	55,000	305,000	-
Bond premium	20,136	-	20,136	-
Notes payable	4,395	-	4,395	-
Total current liabilities	<u>536,473</u>	<u>729,764</u>	<u>1,266,237</u>	<u>63,563</u>
Noncurrent liabilities:				
Compensated absences	153,933	117,015	270,948	3,867
Employment benefits	242,000	162,000	404,000	-
Net pension liability	4,083,816	1,737,561	5,821,377	-
Bonds payable	3,995,000	360,718	4,355,718	-
Bond premium	261,767	-	261,767	-
Notes payable	49,965	-	49,965	-
Other liabilities	25,000	-	25,000	-
Total noncurrent liabilities	<u>8,811,481</u>	<u>2,377,294</u>	<u>11,188,775</u>	<u>3,867</u>
Total liabilities	<u>\$ 9,347,954</u>	<u>\$ 3,107,058</u>	<u>\$ 12,455,012</u>	<u>\$ 67,430</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflow - pension plan	<u>\$ 415,708</u>	<u>\$ 176,057</u>	<u>\$ 591,765</u>	<u>\$ -</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 8,997,102	\$ 7,687,468	\$ 16,684,570	\$ 401,069
Restricted for:				
Expendable	1,800,922	39,727	1,840,649	-
Nonexpendable	275,578	-	275,578	-
Unrestricted	<u>(3,125,278)</u>	<u>3,530,698</u>	<u>405,420</u>	<u>381,626</u>
Total net position	<u>\$ 7,948,324</u>	<u>\$ 11,257,893</u>	<u>\$ 19,206,217</u>	<u>\$ 782,695</u>

See accompanying notes to financial statements.

**CITY OF GLADSTONE, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended March 31, 2021**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Component Unit (Unaudited) Housing Commission
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 741,442	\$ 533,822	\$ 4,550	\$ -	\$ (203,070)	\$ -	\$ (203,070)	\$ -
Public health and safety	1,657,272	29,070	148,891	3,255	(1,476,056)	-	(1,476,056)	-
Parks and recreation	625,215	182,485	-	300	(442,430)	-	(442,430)	-
Cemetery	80,711	66,817	-	-	(13,894)	-	(13,894)	-
General public works	326,423	157,838	16,242	-	(152,343)	-	(152,343)	-
Street system	693,687	862,525	824,680	306,974	1,300,492	-	1,300,492	-
Community development	106,607	865	25,000	-	(80,742)	-	(80,742)	-
Interest on long-term debt	115,362	-	-	-	(115,362)	-	(115,362)	-
Total governmental activities	4,346,719	1,833,422	1,019,363	310,529	(1,183,405)	-	(1,183,405)	-
Business-type activities:								
Electric utility	3,881,307	4,167,245	-	491	-	286,429	286,429	-
Waste water utility	1,104,477	931,293	-	217,546	-	44,362	44,362	-
Water utility	768,582	927,159	-	2,000	-	160,577	160,577	-
Solid waste	445,554	458,823	-	-	-	13,269	13,269	-
Harbor	87,170	68,357	-	-	-	(18,813)	(18,813)	-
Economic development	23,451	-	-	-	-	(23,451)	(23,451)	-
Total business-type activities	6,310,541	6,552,877	-	220,037	-	462,373	462,373	-
Total primary government	\$ 10,657,260	\$ 8,386,299	\$ 1,019,363	\$ 530,566	(1,183,405)	462,373	(721,032)	-
Component unit (unaudited):								
Housing commission	\$ 757,060	\$ 359,815	\$ 50,447	\$ -	-	-	-	(346,798)
General revenues:								
Property taxes					2,074,769	-	2,074,769	-
State revenue sharing					542,264	-	542,264	-
Grants and contributions not restricted to specific programs					170,333	-	170,333	-
Contributions to permanent fund					3,600	-	3,600	-
Unrestricted investment earnings (loss)					(6,485)	16,124	9,639	1,489
Miscellaneous					39,994	-	39,994	1,222
Gain (loss) on disposal of capital assets					-	(766)	(766)	(130)
Transfers					31,000	(31,000)	-	-
Total general revenues and transfers					2,855,475	(15,642)	2,839,833	2,581
Changes in net position					1,672,070	446,731	2,118,801	(344,217)
Net position - beginning					6,276,254	10,811,162	17,087,416	1,126,912
Net position - ending					\$ 7,948,324	\$ 11,257,893	\$ 19,206,217	\$ 782,695

**CITY OF GLADSTONE, MICHIGAN**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**March 31, 2021**

	General	Major Streets	General Debt Service	Capital Projects
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 667,036	\$ 290,108	\$ -	\$ 146,402
Receivables:				
Accounts	29,423	-	-	-
Special assessments	3,480	97,360	538,135	-
Miscellaneous	75,203	723	-	-
Due from other governmental units	206,386	99,781	-	-
Due from other funds	55,008	-	-	-
Prepaid items	39,864	-	500	-
Inventory	15,114	-	-	-
Restricted Cash, cash equivalents and investments	152,823	-	111,116	-
	<u>\$ 1,244,337</u>	<u>\$ 487,972</u>	<u>\$ 649,751</u>	<u>\$ 146,402</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 12,260	\$ 4,828	\$ -	\$ -
Accrued payroll	58,398	1,250	-	-
Due to other funds	619,875	46,013	-	-
Unearned revenue	13,649	-	-	-
Other liabilities	2,593	-	-	-
	<u>706,775</u>	<u>52,091</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Special assessments-Unavailable revenue	-	97,210	538,135	-
Property taxes-Unavailable revenue	29,423	-	-	-
	<u>29,423</u>	<u>97,210</u>	<u>538,135</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	54,978	-	500	-
Restricted	-	338,671	111,116	146,402
Committed	256,456	-	-	-
Assigned	-	-	-	-
Unassigned	196,705	-	-	-
	<u>508,139</u>	<u>338,671</u>	<u>111,616</u>	<u>146,402</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,244,337</u>	<u>\$ 487,972</u>	<u>\$ 649,751</u>	<u>\$ 146,402</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 735,278	\$ 1,838,824
123	29,546
7,266	646,241
-	75,926
37,548	343,715
23,985	78,993
-	40,364
-	15,114
<u>711,765</u>	<u>975,704</u>
<u>\$ 1,515,965</u>	<u>\$ 4,044,427</u>
\$ 6,563	\$ 23,651
1,936	61,584
19,889	685,777
-	13,649
<u>-</u>	<u>2,593</u>
<u>28,388</u>	<u>787,254</u>
7,266	642,611
<u>-</u>	<u>29,423</u>
<u>7,266</u>	<u>672,034</u>
275,578	331,056
1,204,733	1,800,922
-	256,456
-	-
<u>-</u>	<u>196,705</u>
<u>1,480,311</u>	<u>2,585,139</u>
<u>\$ 1,515,965</u>	<u>\$ 4,044,427</u>

See accompanying notes to financial statements.

**CITY OF GLADSTONE, MICHIGAN**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**March 31, 2021**

Total fund balances for governmental funds \$ 2,585,139

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Capital assets	\$ 30,858,002	
Accumulated depreciation	<u>(17,561,541)</u>	
Total capital assets		13,296,461

Internal service funds are used by the City to charge the cost of pension and retiree healthcare costs to individual departments of the City which are not accounted for as an enterprise activity. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 651,968

Deferred outflow of resources related to recording of net pension liability. 404,907

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.

Accrued interest	\$ (9,196)	
Other liabilities	(50,000)	
Notes payable	(54,360)	
Bonds payable	(4,245,000)	
Bond premium	(281,903)	
Employment benefits	(329,500)	
Net pension liability	(4,083,816)	
Compensated absences	<u>(192,416)</u>	(9,246,191)

Deferred inflow of resources related to recording of net pension liability. (415,708)

Certain revenue in the governmental funds is deferred and will be recognized as revenue in the fund statements in future years. 671,748

Total net position of governmental activities \$ 7,948,324

See accompanying notes to financial statements.



**CITY OF GLADSTONE, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended March 31, 2021**

	General Fund	Major Streets	General Debt Service	Capital Projects
<b>REVENUES:</b>				
Federal sources	\$ 147,615	\$ -	\$ -	\$ -
State sources	558,100	559,478	-	-
Local sources	80,284	-	-	306,974
Taxes	1,696,053	-	-	-
Special assessments	-	42,781	143,942	-
Charges for services	894,865	-	-	-
Investment gain (loss)	(93)	(2,556)	-	4,142
Miscellaneous	92,638	810	1,118	-
	<u>3,469,462</u>	<u>600,513</u>	<u>145,060</u>	<u>311,116</u>
<b>EXPENDITURES:</b>				
General government	731,360	-	4,832	-
Public health and safety	1,603,508	-	-	-
Parks and recreation	546,108	-	-	-
Cemetery	64,501	-	-	-
General public works	320,314	-	-	-
Street system	-	237,512	-	-
Community development	-	-	-	-
Capital outlay	487,978	41,995	-	5,165,665
Debt service:				
Principal	4,216	-	250,000	-
Interest and other charges	2,502	-	112,612	-
	<u>3,760,487</u>	<u>279,507</u>	<u>367,444</u>	<u>5,165,665</u>
Excess revenues (expenditures)	<u>(291,025)</u>	<u>321,006</u>	<u>(222,384)</u>	<u>(4,854,549)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	102,990	-	334,000	100,598
Transfers out	(37,000)	(304,998)	-	-
	<u>65,990</u>	<u>(304,998)</u>	<u>334,000</u>	<u>100,598</u>
Net changes in fund balances	(225,035)	16,008	111,616	(4,753,951)
Fund balances - beginning	<u>733,174</u>	<u>322,663</u>	<u>-</u>	<u>4,900,353</u>
Fund balances - ending	<u>\$ 508,139</u>	<u>\$ 338,671</u>	<u>\$ 111,616</u>	<u>\$ 146,402</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 147,615
258,349	1,375,927
158,096	545,354
380,425	2,076,478
-	186,723
-	894,865
(7,977)	(6,484)
997	95,563
789,890	5,316,041
-	736,192
-	1,603,508
-	546,108
119	64,620
-	320,314
214,582	452,094
92,771	92,771
-	5,695,638
25,000	279,216
-	115,114
332,472	9,905,575
457,418	(4,589,534)
215,000	752,588
(379,590)	(721,588)
(164,590)	31,000
292,828	(4,558,534)
1,187,483	7,143,673
\$ 1,480,311	\$ 2,585,139

See accompanying notes to financial statements.

**CITY OF GLADSTONE, MICHIGAN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended March 31, 2021**

Net changes in fund balances - total governmental funds \$ (4,558,534)

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

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

Capital outlay	5,695,638
Depreciation expense	(610,153)
Net transfer of assets	(2,175)

Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	671,748
--	---------

Internal service funds are used by the City to charge the cost of pension and retiree healthcare costs to individual departments of the City which are not accounted for as an enterprise activity. The net revenue (expense) of the internal service funds is reported with governmental activities.	(257,147)
---	-----------

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest and bond premiums on long-term debt are not recognized under the modified accrual basis of accounting until due, rather than as it accrues or amortizes. This adjustment combines the following net changes:

Accrued interest	\$ (248)	
Other liabilities	50,000	
Notes payable	4,216	
Bonds payable	250,000	
Bond premium	20,136	
Compensated absences	(12,659)	
Employment benefits	160,500	
Net pension liability	260,748	732,693

Changes in net position of governmental activities	\$ 1,672,070
--	--------------

See accompanying notes to financial statements.

**CITY OF GLADSTONE, MICHIGAN**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**March 31, 2021**

	Electric Utility	Waste Water Utility	Water Utility
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,178,472	\$ 262,195	\$ 315,103
Investments	83,779	26,166	31,471
Receivables:			
Utilities	693,516	210,238	168,179
Miscellaneous	17,501	13,694	3,849
Due from other funds	37,513	-	-
Prepaid items	8,220	6,456	1,900
Inventory	190,682	-	-
Total current assets	2,209,683	518,749	520,502
Noncurrent assets:			
Investments	1,394,958	283,994	341,574
Notes receivable	-	-	-
Advances due from other funds	506,829	-	-
Non-depreciable capital assets	236,836	-	-
Capital assets, net of accumulated depreciation	3,364,771	2,208,904	1,642,563
Total noncurrent assets	5,503,394	2,492,898	1,984,137
Total assets	\$ 7,713,077	\$ 3,011,647	\$ 2,504,639
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow - pension plan	\$ 94,739	\$ 26,498	\$ 44,955
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 204,775	\$ 95,400	\$ 95,355
Accrued payroll	15,427	10,982	7,059
Customer deposits	80,692	-	-
Compensated absences	12,975	10,574	5,705
Employment benefits	27,000	27,000	27,000
Unearned revenue	-	-	-
Due to other funds	-	-	-
Bonds payable	-	55,000	-
Notes payable	-	-	-
Total current liabilities	340,869	198,956	135,119
Noncurrent liabilities:			
Compensated absences	51,899	42,296	22,820
Employment benefits	54,000	54,000	54,000
Net pension liability	953,462	264,414	441,049
Bonds payable	-	360,718	-
Notes payable	-	-	-
Total noncurrent liabilities	1,059,361	721,428	517,869
Total liabilities	\$ 1,400,230	\$ 920,384	\$ 652,988
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow - pension plan	\$ 95,859	\$ 26,910	\$ 45,719
<b>NET POSITION</b>			
Net investment in capital assets	\$ 3,601,607	\$ 1,793,186	\$ 1,642,563
Restricted	-	-	-
Unrestricted	2,710,120	297,665	208,324
Total net position	\$ 6,311,727	\$ 2,090,851	\$ 1,850,887

See accompanying notes to financial statements.

Nonmajor Funds	Total Enterprise Funds	Internal Service Fund
\$ 117,081	\$ 1,872,851	\$ 269,081
18,549	159,965	32,301
86,586	1,158,519	-
1,830	36,874	-
13,050	50,563	-
8	16,584	-
-	190,682	-
<u>237,104</u>	<u>3,486,038</u>	<u>301,382</u>
201,327	2,221,853	350,586
-	-	-
104,400	611,229	-
-	236,836	-
650,112	7,866,350	-
<u>955,839</u>	<u>10,936,268</u>	<u>350,586</u>
<u>\$ 1,192,943</u>	<u>\$ 14,422,306</u>	<u>\$ 651,968</u>
<u>\$ 7,518</u>	<u>\$ 173,710</u>	<u>\$ -</u>
\$ 2,283	\$ 397,813	\$ -
4,716	38,184	-
-	80,692	-
-	29,254	-
-	81,000	-
47,821	47,821	-
55,008	55,008	-
-	55,000	-
-	-	-
<u>109,828</u>	<u>784,772</u>	<u>-</u>
-	117,015	-
-	162,000	-
78,636	1,737,561	-
-	360,718	-
-	-	-
<u>78,636</u>	<u>2,377,294</u>	<u>-</u>
<u>\$ 188,464</u>	<u>\$ 3,162,066</u>	<u>\$ -</u>
<u>\$ 7,569</u>	<u>\$ 176,057</u>	<u>\$ -</u>
\$ 650,112	\$ 7,687,468	\$ -
39,727	39,727	-
314,589	3,530,698	651,968
<u>\$ 1,004,428</u>	<u>\$ 11,257,893</u>	<u>\$ 651,968</u>

See accompanying notes to financial statements.

**CITY OF GLADSTONE, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended March 31, 2021**

	Electric Utility	Waste Water Utility	Water Utility
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 3,943,587	\$ 915,361	\$ 905,962
Miscellaneous	223,658	15,932	21,197
Total operating revenue	<u>4,167,245</u>	<u>931,293</u>	<u>927,159</u>
<b>OPERATING EXPENSES:</b>			
Salaries and fringes	648,520	484,733	355,274
Supplies	57,047	111,131	80,634
Contracted services	366,075	302,810	79,023
Repairs and maintenance	8,655	7,216	90,737
Utilities	100,668	53,840	46,982
Purchased power	2,329,794	-	-
Rent	1,815	3,149	3,557
Memberships and dues	6,262	5,271	1,615
Travel	-	-	-
Insurance	7,792	8,380	12,921
Education and training	10	792	(255)
Energy optimization program	73,962	-	-
Landfill tipping fees	-	999	-
Depreciation	222,647	117,268	88,310
Miscellaneous	58,060	1,686	9,784
Total operating expenses	<u>3,881,307</u>	<u>1,097,275</u>	<u>768,582</u>
Operating income (loss)	<u>285,938</u>	<u>(165,982)</u>	<u>158,577</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment gain (loss)	31,028	(4,961)	(6,118)
Interest expense	-	(7,202)	-
Total nonoperating revenue (expense)	<u>31,028</u>	<u>(12,163)</u>	<u>(6,118)</u>
Income (loss) before transfers, contributions and special items	316,966	(178,145)	152,459
Gain/(loss) on asset disposal	(766)	-	-
Capital contributions	491	217,546	2,000
Transfer in	12,000	-	-
Transfer out	-	(25,000)	(18,000)
Change in net position	<u>328,691</u>	<u>14,401</u>	<u>136,459</u>
Total net position - beginning	<u>5,983,036</u>	<u>2,076,450</u>	<u>1,714,428</u>
Total net position - ending	<u>\$ 6,311,727</u>	<u>\$ 2,090,851</u>	<u>\$ 1,850,887</u>

See accompanying notes to financial statements.

Nonmajor Funds	Total Enterprise Funds	Internal Service Fund
\$ 519,797	\$ 6,284,707	\$ 100,000
7,383	268,170	-
<u>527,180</u>	<u>6,552,877</u>	<u>100,000</u>
217,431	1,705,958	349,929
42,110	290,922	-
100,133	848,041	-
8,309	114,917	-
7,764	209,254	-
-	2,329,794	-
14,345	22,866	-
-	13,148	-
-	-	-
1,050	30,143	-
-	547	-
-	73,962	-
95,094	96,093	-
67,105	495,330	-
2,834	72,364	-
<u>556,175</u>	<u>6,303,339</u>	<u>349,929</u>
<u>(28,995)</u>	<u>249,538</u>	<u>(249,929)</u>
(3,825)	16,124	(7,218)
-	(7,202)	-
<u>(3,825)</u>	<u>8,922</u>	<u>(7,218)</u>
(32,820)	258,460	(257,147)
-	(766)	-
-	220,037	-
-	12,000	-
-	(43,000)	-
<u>(32,820)</u>	<u>446,731</u>	<u>(257,147)</u>
<u>1,037,248</u>	<u>10,811,162</u>	<u>909,115</u>
<u>\$ 1,004,428</u>	<u>\$ 11,257,893</u>	<u>\$ 651,968</u>

See accompanying notes to financial statements.

**CITY OF GLADSTONE, MICHIGAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended March 31, 2021**

	Electric Utility	Waste Water Utility	Water Utility
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 3,966,240	\$ 936,365	\$ 901,917
Cash receipts from interfund services provided	-	-	-
Payments to suppliers	(3,010,888)	(514,501)	(260,248)
Payments for wages and related benefits	(726,582)	(527,557)	(410,985)
Cash paid for interfund services used	-	-	-
Other receipts (payments)	(96,120)	15,932	21,197
Net cash provided (used) by operating activities	<u>132,650</u>	<u>(89,761)</u>	<u>251,881</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating transfers in (out)	12,000	(25,000)	(18,000)
Cash received (paid) on customer deposits	363	-	-
Net cash provided (used) by noncapital financing activities	<u>12,363</u>	<u>(25,000)</u>	<u>(18,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of fixed assets	(332,014)	(90,715)	(307,616)
Principal paid on debt instruments	-	(55,000)	-
Interest paid on debt instruments	-	(7,202)	-
Proceeds from sale of capital assets	20,700	-	-
Proceeds from grant funds and contributions	491	217,546	2,000
Net cash provided (used) by capital and related financing activities	<u>(310,823)</u>	<u>64,629</u>	<u>(305,616)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investment securities	(1,002,963)	(310,160)	(373,045)
Investment gain (loss)	31,028	(4,961)	(6,118)
Net cash provided (used) by investing activities	<u>(971,935)</u>	<u>(315,121)</u>	<u>(379,163)</u>
Net increase (decrease) in cash and equivalents	(1,137,745)	(365,253)	(450,898)
Cash and equivalents, beginning of year	2,316,217	627,448	766,001
Cash and equivalents, end of year	<u>\$ 1,178,472</u>	<u>\$ 262,195</u>	<u>\$ 315,103</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 285,938	\$ (165,982)	\$ 158,577
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation/amortization expense	222,647	117,268	88,310
Changes in assets and liabilities:			
(Increase) decrease in receivables	22,653	21,004	(4,045)
(Increase) decrease in interfunds	(319,778)	-	-
(Increase) decrease in prepaid items	(1,807)	(201)	(39)
(Increase) decrease in inventory	13,298	-	-
(Increase) decrease in deferred outflows	20,321	6,012	10,236
Increase (decrease) in accounts payable	(12,239)	(19,026)	64,789
Increase (decrease) in accrued payroll	8,862	1,032	694
Increase (decrease) in employment benefit liability	(27,000)	(27,000)	(27,000)
Increase (decrease) in net pension liability	(102,853)	(29,228)	(50,735)
Increase (decrease) in unearned revenue	-	-	-
Increase (decrease) in deferred inflows	22,608	6,360	11,094
Net cash provided (used) by operating activities	<u>\$ 132,650</u>	<u>\$ (89,761)</u>	<u>\$ 251,881</u>

See accompanying notes to financial statements.



Nonmajor Funds	Total Enterprise Funds	Internal Service Fund
\$ 519,397	\$ 6,323,919	\$ -
-	-	100,000
(245,958)	(4,031,595)	-
(220,035)	(1,885,159)	(349,929)
-	-	-
75,441	16,450	-
<u>128,845</u>	<u>423,615</u>	<u>(249,929)</u>
-	(31,000)	-
-	363	-
-	(30,637)	-
(90,969)	(821,314)	-
-	(55,000)	-
-	(7,202)	-
-	20,700	-
-	220,037	-
<u>(90,969)</u>	<u>(642,779)</u>	<u>-</u>
(219,877)	(1,906,045)	(382,887)
(3,825)	16,124	(7,218)
<u>(223,702)</u>	<u>(1,889,921)</u>	<u>(390,105)</u>
(185,826)	(2,139,722)	(640,034)
302,907	4,012,573	909,115
<u>\$ 117,081</u>	<u>\$ 1,872,851</u>	<u>\$ 269,081</u>
\$ (28,995)	\$ 249,538	\$ (249,929)
67,106	495,331	-
(400)	39,212	-
68,058	(251,720)	-
1,552	(495)	-
-	13,298	-
1,684	38,253	-
(9,633)	23,891	-
1,739	12,327	-
-	(81,000)	-
(7,666)	(190,482)	-
33,761	33,761	-
1,639	41,701	-
<u>\$ 128,845</u>	<u>\$ 423,615</u>	<u>\$ (249,929)</u>

See accompanying notes to financial statements.

**CITY OF GLADSTONE, MICHIGAN**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**March 31, 2021**

	Custodial Funds
	Tax Collection
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,281
Receivables:	
Delinquent taxes	74,989
Total assets	\$ 78,270
<b>LIABILITIES</b>	
Due to other governmental units	\$ 78,270

See accompanying notes to financial statements.

**CITY OF GLADSTONE, MICHIGAN**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended March 31, 2021**

	Custodial Funds
	Tax Collection
<b>ADDITIONS</b>	
Property tax collections	\$ 3,690,507
<b>DEDUCTIONS</b>	
Property tax disbursements	3,690,507
<b>NET CHANGE IN FIDUCIARY NET POSITION</b>	-
<b>NET POSITION - beginning</b>	-
<b>NET POSITION - ending</b>	\$ -

See accompanying notes to financial statements.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The City of Gladstone (the “City”) was incorporated March 1, 1889 under the provision of Act 279, P. A. 1909, as amended (Home Rule City Act) and operates under a Council-Manager form of government. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, utility services, recreation, public improvements, planning and zoning, and general administrative services. The City follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. As required by generally accepted accounting principles, these financial statements present the City of Gladstone (the primary government) and its component unit, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations, and accordingly, data from these units are combined with data of the City. Each discretely presented component/t unit is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the City. All blended and discretely presented component units have a March 31 year end.

Component Units – A component unit of a governmental entity is a legally separate entity for which the primary government is considered to be financially accountable and for which the nature and significance of the relationship with the primary government is such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization’s governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units have been included in the financial reporting entity as a blended component unit or as a discretely presented component unit.

Blended Component Unit – The City has one component unit in which the financial data has been blended with the primary government financial statement.

Downtown Development Authority – For financial reporting purposes the Downtown Development Authority (DDA) is reported as if it were part of the City’s operations because the City appoints a voting majority and the DDA provides services entirely to the City. The DDA was created under Public Act 197 of 1975 to take an active role in economic revitalization and facilitate downtown redevelopment and opportunities associated with vacant or underutilized commercial and industrial areas.

Discretely Presented Component Unit – The financial statements of the Gladstone Housing Commission are reported as a discretely presented component unit in a separate column to emphasize that they are legally separate from the City.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Gladstone Housing Commission – The Housing Commission was formed by the City of Gladstone under Public Act 18 of 1933 for the purpose of providing safe and affordable housing for low income and elderly individuals. The City Commission appoints the board members to the Housing Commission; however, the City does not provide any financial assistance to the Housing Commission. The Housing Commission issues separately audited financial statements which can be obtained from the Gladstone Housing Commission at 217 Dakota Avenue, Gladstone, MI 49837.

The following entities are not included because the City does not exercise oversight responsibility, or they are autonomous governmental units.

Gladstone Area Schools – provides education services to the community.

Gladstone Area Public Library – provides library services to the community.

Gladstone Senior Citizens Non-Profit Corporation – provides recreational activities for the elderly.

Joint Venture – The City of Gladstone is a participant with Delta County, the City of Escanaba, and local townships in a joint venture to provide for a landfill, the Delta Solid Waste Management Authority. The Authority is governed by a seven-person Board of Directors, composed of three representatives of the participating townships, three representatives of the participating cities, and one member of the Delta County Board of Commissioners. Complete financial statements for the Delta Solid Waste Management Authority can be obtained directly from Delta Solid Waste Management Authority. See Note M for additional information.

Delta Solid Waste Management Authority  
5701 19<sup>th</sup> Avenue North  
Escanaba, MI 49829

The accounting policies of the City of Gladstone conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**BASIS OF PRESENTATION**

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the City as a whole. They include all funds of the City except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods or services provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

**Fund Financial Statements:**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the City are considered major if it meets the following criteria:

Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The City reports the following as major governmental funds either in accordance with the above criteria:

The General Fund which is described below.

The Major Streets Fund is a special revenue fund and accounts for the revenue and expenses related to maintenance and construction of the major street system.

The General Debt Service Fund accounts for financial resources and the related principal and interest payments on debt.

The Capital Projects Fund accounts for the activities related to various capital expenditures of the City.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The City reports the following as major enterprise funds in accordance with the above criteria:

The Electric Utility Fund accounts for electric services provided to the citizens of the City of Gladstone in exchange for charges.

The Waste Water Utility Fund accounts for waste water services provided to the citizens of the City of Gladstone in exchange for charges.

The Water Utility Fund accounts for water services provided to the citizens of the City of Gladstone in exchange for charges.

The funds of the City are described below:

**Governmental Funds**

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

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Debt Service Funds – Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Fund – Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent Fund – The Cemetery Perpetual Care Fund is the City’s only permanent fund. The principal portion of this fund must stay intact, but the interest earnings are used to provide care for the cemetery.

**Proprietary Funds**

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Internal Service Funds – The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. In the government-wide financial statements, the City has two internal service funds that are included with the governmental activities. The Retirement System and Employee Health Care Funds account for retiree pension and other postemployment benefit costs incurred by various City departments.

**Fiduciary Funds**

Custodial Fund - The Tax Collection Fund is the City’s only custodial fund and is used to account for the collections and payments of amounts received by the City in a trustee capacity or as an agent for governmental units assessing a property tax on property within the City limits.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Funds**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resource measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds and fiduciary funds, as applicable, utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund and fiduciary fund equity are classified as net position.



**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION/FUND BALANCE**

Cash, Cash Equivalents and Investments – Cash deposits consist of demand and time deposits with financial institutions and are reported at carrying amount which is fair value. Investments are reported at fair value or estimated fair value. For the purpose of the statement of cash flows, the City considers all highly liquid investments with maturities of less than three months as cash equivalents.

Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable. The City has not recorded an allowance for uncollectable accounts as the City does not anticipate any material uncollectable accounts.

Due to and Due From Other Funds – Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory – Materials inventory in the Electric Utility Fund and the General Fund are recorded at the lower of cost or market using the first-in first-out method of valuing inventory.

Capital assets – The accounting and reporting treatment applied to property plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide Statements*

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25 – 50 years
Machinery and equipment	3 – 20 years
Infrastructure	10 – 50 years

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

Restricted Assets – Restricted assets include cash, cash equivalents, and investments which have been reserved for the principal portion of the Cemetery Perpetual Care Fund non-expendable cash and for donations or receipts related to specific projects as explained in Note B.

Long-Term Obligations – The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of bonds payable and notes payable. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as "other financing sources" and bond discounts as "other financing uses."

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements. The General Funds, Debt Service Fund, and Waste Water Fund are generally used to liquidate long-term debt.

Compensated Absences – The City's policies regarding vacation and sick time permits employees to accumulate earned but unused vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.

Unearned Revenues – In the government-wide statements and proprietary fund financial statements unearned revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements unearned revenue is recognized when revenue is unearned or unavailable. The City has reported unearned revenue of \$13,649 in the General Fund and \$47,821 in the Harbor Fund for prepaid service revenue. These amounts have been deemed measurable, but not currently available.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Deferred Inflows of Resources - In addition to liabilities, the statement of net position and/or governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. Unavailable revenue qualifies for reporting in this category and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from two sources: personal property taxes and special assessments. In addition, the government-wide statements and proprietary funds report deferred inflows of resources related to the pension system.

Equity Classification

*Government-Wide Statements*

Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.

Unrestricted – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

*Fund Statements*

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

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Nonspendable– This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified prepaid items, inventory, and permanent fund principal as nonspendable.

Restricted– This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed– This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Commission.

Assigned– This classification includes amounts that are constrained by the City’s intent to be used for a specific purpose but are neither restricted nor committed. The intent can be expressed by the by the City Manager or by the City through the budgetary process and this classification also includes the remaining positive fund balance for all governmental funds.

Unassigned– This classification includes the residual fund balance of the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

It is a goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to 20% to 30% of expenditures. The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**REVENUES AND EXPENDITURES/EXPENSES**

**Revenues**

*Government-Wide Statements*

In the government-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include 1) charges to customers or applicants for goods or services, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all revenues which do not meet the criteria of program revenues and include revenues such as property taxes, State revenue sharing payments, and interest earnings.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Fund Statements*

In the governmental fund statements revenues are reported by source, such as federal sources, state sources and taxes. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is generally the City's policy to use restricted resources first.

**Expenses/Expenditures**

*Government-Wide Statements*

In the government-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

*Fund Statements*

In the governmental fund financial statements expenditures are classified by character; current, debt service and capital outlay.

In the proprietary fund financial statements expenses are classified by operating and nonoperating and are subclassified by function such as salaries, supplies and contracted services.

**Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Other Financing Sources (Uses)**

The transfers of cash between the various City funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

**Interfund Activity**

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Position, except for the residual amounts due between governmental and business-type activities.

**OTHER SIGNIFICANT ACCOUNTING POLICIES**

**Budgets and Budgetary Accounting**

The development and adoption of the City's budget is based upon requirements as set forth in both the City Charter and Act 2, Public Acts of 1968 of the State of Michigan, the "Uniform Budgeting and Accounting Act." Act 2, Public Acts of 1968 of the State of Michigan requires a formal budget for all funds except Internal Service, Enterprise or Public Improvements/Building and Site Funds, which require an "informational summary" in lieu of a formal budget. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to February 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to April 1, a public hearing is held to allow for public comment on the proposed budget and then the budget is legally enacted through passage of an ordinance.
- c. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Commission.
- d. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the City Commission in March. Individual amendments were material in relation to the original appropriations which were amended.
- e. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control. Any unexpendable appropriations lapse at the end of the fiscal year.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property Taxes**

Property taxes levied attach as an enforceable lien on property. The City's annual property tax on real and personal property within the City is levied on July 1, payable by September 15, and is based on the taxable valuation of the property on the preceding December 31. Unpaid property taxes become delinquent on March 1, and all delinquent real property taxes are purchased by the County Treasurer. The City bills and collects its own property taxes and also the taxes for the local School District, the Intermediate School District, the Community College and the County. Collections and remittances for all taxes are accounted for in the Tax (Custodial) Fund. City property tax revenues are recognized when levied to the extent that they result in current receivables, with the exception of delinquent City taxes purchased by the County Treasurer, which are recognized as revenue in the year levied regardless of when the tax settlement is received from the County Treasurer, which is typically within 90 days of year-end. The City did not have any significant tax abatements.

**Use of Estimates**

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

**Implementation of New Accounting Standards**

As of April 1, 2020, the City adopted GASB Statement No. 84, *Fiduciary Activities*, which established criteria for identifying fiduciary activities of governments and improved guidance for accounting and financial reporting related to how these activities should be reported. An activity meeting the criteria is required to present a statement of fiduciary net position and a statement of changes in fiduciary net position. This change has no effect on net position.



**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE B – CASH AND EQUIVALENTS AND INVESTMENTS**

The composition of cash and equivalents is presented below:

	Primary Government	Component Unit	Total
Imprest Cash	\$ 590	\$ 200	\$ 790
Deposits:			
Checking accounts	3,924,485	153,741	4,078,226
Savings	271,087	12,171	283,258
Total cash and equivalents	<u>\$ 4,196,162</u>	<u>\$ 166,112</u>	<u>\$ 4,362,274</u>

State statutes authorize the City to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptance of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 sat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
  - i. The purchase of securities on a when-issued or delayed delivery basis.
  - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned.
  - iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE B – CASH AND EQUIVALENTS AND INVESTMENTS (continued)**

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

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

All deposits are carried at cost and are in accordance with statutory authority. The City's cash is subject to the following risk.

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of March 31, 2021, the City held \$4,290,894 in checking and savings accounts. Of this amount, \$3,727,885 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are, in the opinion of management, subject to minimal risk. The City's component units had no bank deposits that were uninsured and uncollateralized.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE B – CASH AND EQUIVALENTS AND INVESTMENTS (continued)**

The composition of investments is presented below:

	<u>Fair Value</u>	<u>Moody Credit Rating</u>	<u>S&amp;P Credit Rating</u>	<u>Maturity Date</u>
Primary Government				
Municipal Bonds:				
Mount Morris Michigan Consolidated Schools	\$ 146,531	A3	-	5/1/2026
Ferris State University	53,635	A1	-	10/1/2026
Wyandotte Michigan Electric Revenue	26,806	-	AA	10/1/2026
Napoleon Michigan Community Schools	101,297	-	AA	5/1/2028
Genesee Michigan Schools	237,603	-	AA	5/1/2029
Chippewa Valley Michigan Schools	95,065	A2	-	5/1/2032
Grand Rapids Community College	234,323	-	AA	5/1/2032
Total Municipal Bonds	<u>895,259</u>			
U.S. Government Securities:				
Federal Farm Credit Bank Securities	294,459	AAA	AA+	8/3/2027
Federal Home Loan Mortgage Corporation	144,071	AAA	-	7/21/2028
Tennessee Valley Authority	131,378	-	AA+	1/15/2029
Tennessee Valley Authority	127,718	-	AA+	1/15/2030
Federal Home Loan Mortgage Corporation	236,355	AAA	-	7/29/2030
Federal Home Loan Bank Securities	189,962	AAA	AA+	7/29/2031
Total U.S. Government Securities	<u>1,123,942</u>			
Negotiable Certificates of Deposit				
CD	5,000	N/A	N/A	less than 1 year
CD	251,262	N/A	N/A	less than 1 year
CD	251,995	N/A	N/A	1-5 years
CD	251,757	N/A	N/A	1-5 years
CD	251,259	N/A	N/A	1-5 years
Total Negotiable Certificates of Deposit	<u>1,011,273</u>			
Upper Peninsula Public Power Agency	485,646	N/A	N/A	N/A
Component Unit				
Negotiable Certificates of Deposit	245,825	N/A	N/A	-
Total Investments	<u>\$ 3,761,944</u>			

The City's investments are subject to several types of risk, which are examined below in more detail.

**Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City did not hold any investment securities that were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name except for the investment in Upper Peninsula Public Power Agency.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE B – CASH AND EQUIVALENTS AND INVESTMENTS (continued)**

**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy restricts investment maturities to a maturity of no more than twelve years from the date of purchase and commercial paper, which can only be purchased with a 270-day maturity. Investment balances and maturities as of March 31, 2021 are listed in the table above.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the City's investment policy limit the investment in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. Investment balances and the credit quality ratings of debt securities as of March 31, 2021 are listed in the table above.

**Concentration of Credit Risk**

The City's investment policy limits the amount that may be invested in a single issuer to no more than 50 percent of the market value of the portfolio and limits the amount that may be invested in a single security type to no more than 50 percent of the market value of the portfolio, with the exception of U.S. Treasury securities and authorized investment pools. As of March 31, 2021, the City had no more than 50 percent of its portfolio invested in a single issuer or in a single security type.

**Risks and Uncertainties**

Due to the level of risk associated with certain investment securities, as described above, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

**Restricted Cash and Investments**

Cash and investments have been restricted within the listed funds as follows:

1. The General Fund in the amount of \$4,263 for donations related to a hover craft, \$9,000 for donations related to the Little Bay de Noc trail, \$550 for donations related to a disc golf course, and \$139,010 for costs of the police department as required by the Olson Trust.
2. The Cemetery Perpetual Care Fund in the amount of \$275,678 for cemetery care as required by the nature of the fund.
3. The Mary Cretens Trust Fund in the amount of \$384,749 for community maintenance and improvements as required by the nature of the fund.
4. The MSHDA Homeowners Fund in the amount of \$26,338 for allowable costs under MSDHA homeowner programs as required by the nature of the fund.

# CITY OF GLADSTONE, MICHIGAN

## NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2021

### NOTE B – CASH AND EQUIVALENTS AND INVESTMENTS (continued)

5. The MSHDA Habitat Rehab Fund in the amount of \$25,000 for allowable costs under MSDHA habitat rehabilitation programs as required by the nature of the fund.
6. The General Debt Service Fund in the amount of \$111,116 for debt service payments as required by the funding sources of the fund.

#### **Investment in Upper Peninsula Public Power Agency**

During the year ended March 31, 2004, the City invested in Upper Peninsula Public Power Agency (UPPPA) along with other municipalities, which in turn purchased an interest in American Transmission Company, LLC and ATC Management, Inc. The purpose of this investment was to allow municipalities to invest in the transmission of power to their municipality as well as obtain a reasonable rate of return on their investment. The City has contributed cash and equipment as part of its investment in UPPPA. Neither UPPPA or ATC are publicly traded companies, therefore, the investment is non-risk categorized and the City is at risk for the underlying value of the issuer, including all related risks. At March 31, 2021, the value of the investment was \$485,646 and was based upon the value as reported in UPPPA's December 31, 2020 audit, which the City feels approximates market value given the annual return on this investment.

#### **Fair Value Measurement**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The City had the following recurring fair value measurements as of March 31, 2021:

- Fixed income U.S. Government Securities (\$1,123,942) are considered Level 1.
- Municipal bonds (\$895,259) are considered Level 2.

Debt securities classified in Level 1 are valued using prices quoted in active markets for those securities. The fair values of the municipal bonds were determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using interactive data, which uses other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The City's investment in UPPPA is recorded and reported at its historical cost, based on the City's proportional investment held, as no readily determinable fair market value is available as UPPPA is primarily comprised of an investment in American Transmission Company, LLC, which is privately held. The City has no other investments that are required to be reported at fair value.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE C – PROPERTY TAXES**

Tax information:

Assessment Date . . . . . December 31  
Taxes payable . . . . . July 1  
Taxes Delinquent . . . . . March 1 following date payable

*Penalties for delinquency*– The following charges are added to unpaid taxes:

On August 15, a 4% penalty is added.

Commencing March 1, interest is added to all unpaid taxes at the rate of 1% per month. Delinquent real property taxes are acquired by the Treasurer of Delta County. An additional 4% collection fee is added to the balance owing at the time.

*Lien on property*– Unpaid taxes, together with all charges thereon, become a continuing lien on property assessed. The general tax law of the State provides that delinquent real estate taxes be sold at public auction in July or November of the second year following the year of tax levy.

See the Additional Supplemental Information as detailed in the Table of Contents for a Schedule of State Equalized Valuation and Taxable Values.

The State of Michigan, beginning in 1967, required that taxes be levied on state equalized valuations rather than on assessed valuation. The valuations for the years 1961 through 1966, inclusive, are City assessed valuations, the year 1967 are state equalized valuations, and the year 1968 are City assessed valuations. In 1968, the City was allowed to assess on City valuations because they were almost equal to that of State equalized valuations.

See the Additional Supplemental Information as detailed in the Table of Contents for a Schedule of Annual Tax Rates (per \$1,000 valuation).

City’s Share of Current Property Taxes – The 2020 taxable valuation of the City totaled \$117,526,749, on which taxes levied consisted of 15.4773 mills for City operating purposes. The City’s share of current real and personal property taxes for the year ended March 31, 2021 were recognized in the funds as follows:

- General Fund: \$1,604,415
- DDA Fund: \$207,967

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE D – CAPITAL ASSETS**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Capital asset activity for the year ended March 31, 2021, was as follows:

	Balance at April 1, 2020	Additions	Transfers/ Disposals	Balance at March 31, 2021
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,619,627	\$ -	\$ -	\$ 1,619,627
Construction in progress	373,455	-	373,455	-
Total non-depreciable capital assets	<u>1,993,082</u>	<u>-</u>	<u>373,455</u>	<u>1,619,627</u>
Capital assets being depreciated:				
Land improvements	598,129	-	-	598,129
Buildings	3,580,198	-	-	3,580,198
Machinery and equipment	3,575,624	357,478	25,577	3,907,525
Infrastructure-road system	13,538,871	5,207,661	(321,587)	19,068,119
Infrastructure-other	2,084,404	-	-	2,084,404
Total depreciable capital assets	<u>23,377,226</u>	<u>5,565,139</u>	<u>(296,010)</u>	<u>29,238,375</u>
Total capital assets	<u>25,370,308</u>	<u>5,565,139</u>	<u>77,445</u>	<u>30,858,002</u>
Less accumulated depreciation:				
Land improvements	200,786	32,610	-	233,396
Buildings	2,142,842	79,278	-	2,222,120
Machinery and equipment	2,322,176	180,647	205,770	2,297,053
Infrastructure-road system	11,526,023	221,630	-	11,747,653
Infrastructure-other	965,331	95,988	-	1,061,319
Total accumulated depreciation	<u>17,157,158</u>	<u>610,153</u>	<u>205,770</u>	<u>17,561,541</u>
Net depreciable capital assets	<u>6,220,068</u>	<u>4,954,986</u>	<u>(501,780)</u>	<u>11,676,834</u>
Governmental activities capital assets, net	<u>\$ 8,213,150</u>	<u>\$ 4,954,986</u>	<u>\$ (128,325)</u>	<u>\$ 13,296,461</u>

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE D – CAPITAL ASSETS (continued)**

	Balance at April 1, 2020	Additions	Transfers/ Disposals	Balance at March 31, 2021
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 236,836	\$ -	\$ -	\$ 236,836
Construction in progress	20,861	-	-	20,861
Total non-depreciable capital assets	<u>257,697</u>	<u>-</u>	<u>-</u>	<u>257,697</u>
Capital assets being depreciated:				
Buildings	1,237,606	-	-	1,237,606
Machinery and equipment	2,161,138	305,550	228,993	2,237,695
Infrastructure - other	481,425	-	-	481,425
Distribution/collection system	17,261,216	644,089	-	17,905,305
Total depreciable capital assets	<u>21,141,385</u>	<u>949,639</u>	<u>228,993</u>	<u>21,862,031</u>
Total capital assets	<u>21,399,082</u>	<u>949,639</u>	<u>228,993</u>	<u>22,119,728</u>
Less accumulated depreciation:				
Buildings	571,781	46,999	-	618,780
Machinery and equipment	1,148,907	145,978	79,202	1,215,683
Infrastructure - other	164,161	22,970	-	187,131
Distribution/collection system	11,715,565	279,383	-	11,994,948
Total accumulated depreciation	<u>13,600,414</u>	<u>495,330</u>	<u>79,202</u>	<u>14,016,542</u>
Net depreciable capital assets	<u>7,540,971</u>	<u>454,309</u>	<u>149,791</u>	<u>7,845,489</u>
Business-type activities capital assets, net	<u>\$ 7,798,668</u>	<u>\$ 454,309</u>	<u>\$ 149,791</u>	<u>\$ 8,103,186</u>
	Balance at April 1, 2020	Additions	Transfers/ Disposals	Balance at March 31, 2021
<b>Component Unit-Housing Commission:</b>				
Capital assets not being depreciated:				
Land	\$ 69,466	\$ -	\$ -	\$ 69,466
Capital assets being depreciated:				
Buildings	4,944,208	-	-	4,944,208
Furniture and equipment	88,989	1,321	2,815	87,495
Infrastructure-road system	137,329	130	-	137,459
Total depreciable capital assets	<u>5,170,526</u>	<u>1,451</u>	<u>2,815</u>	<u>5,169,162</u>
Total capital assets	<u>5,239,992</u>	<u>1,451</u>	<u>2,815</u>	<u>5,238,628</u>
Less accumulated depreciation:				
Total accumulated depreciation	<u>4,726,701</u>	<u>113,673</u>	<u>2,815</u>	<u>4,837,559</u>
Net depreciable capital assets	<u>443,825</u>	<u>(112,222)</u>	<u>-</u>	<u>331,603</u>
Component unit capital assets, net	<u>\$ 513,291</u>	<u>\$ (112,222)</u>	<u>\$ -</u>	<u>\$ 401,069</u>



**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE D – CAPITAL ASSETS (continued)**

Capital assets of the Gladstone Housing Commission are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Generally, buildings and improvements are depreciated over 40 years and furniture and equipment are depreciated over three to seven years.

Depreciation expense was charged to the following activities in the primary government:

**Governmental activities:**

General government	\$ 24,961
Public health and safety	91,406
Parks and recreation	176,769
Cemetery	16,091
Public works	61,454
Street system	225,636
Community development	13,836
Total governmental activities depreciation expense	<u>\$ 610,153</u>

**Business-type activities:**

Electric	\$ 222,647
Waste water	117,268
Water	88,310
Solid waste	41,799
Harbor	23,551
Development	1,755
Total business-type activities depreciation expense	<u>\$ 495,330</u>

The City adopted a capitalization policy that identifies capital assets as those having a value of \$5,000 or more and a useful life greater than one year.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE E – LONG-TERM DEBT**

The City issued general obligation bonds to provide for acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City's contractual agreements are also general obligations of the City. The installment purchase agreement related to the governmental activities is secured with collateral of the Caterpillar Backhoe that was purchased with the proceeds from the installment purchase agreement. The City issued revenue bonds to provide for the construction and installation of improvements to the City's sludge storage tank. The City has pledged the revenues of sewage disposal system after provision has been made for reasonable and necessary expenses of operation, maintenance, and administration for the revenue bonds. As additional security on the revenue bonds, the City has pledged its limited tax full faith and credit. The following is a summary of changes in long-term debt for the year ended March 31, 2021:

Type of Debt	Balance April 1, 2020	Additions	Deductions	Balance March 31, 2021	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Direct Borrowings & Placements:					
Limited Tax General Obligation Bonds:					
2020 Capital Improvement bond	\$ 4,495,000	\$ -	\$ 250,000	\$ 4,245,000	\$ 250,000
Contractual Agreements:					
Installment purchase agreement	58,576	-	4,216	54,360	4,395
Other liabilities	100,000	-	50,000	50,000	25,000
Unamortized bond premium	302,038	-	20,136	281,902	20,136
Other obligations:					
Employment benefits	490,000	-	160,500	329,500	87,500
Compensated absences	179,758	136,574	123,916	192,416	38,483
 Total governmental long-term debt	 <u>\$ 5,625,372</u>	 <u>\$ 136,574</u>	 <u>\$ 608,768</u>	 <u>\$ 5,153,178</u>	 <u>\$ 425,514</u>

Type of Debt	Balance April 1, 2020	Additions	Deductions	Balance March 31, 2021	Amounts Due Within One Year
<b>Business-type Activities:</b>					
Direct Borrowings & Placements:					
Revenue Bonds:					
2006 Sludge Storage bond	\$ 470,718	\$ -	\$ 55,000	\$ 415,718	\$ 55,000
Other obligations:					
Employment benefits	324,000	-	81,000	243,000	81,000
Compensated absences	135,754	90,360	79,845	146,269	29,254
 Total business-type long-term debt	 <u>\$ 930,472</u>	 <u>\$ 90,360</u>	 <u>\$ 215,845</u>	 <u>\$ 804,987</u>	 <u>\$ 165,254</u>

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE E – LONG-TERM DEBT (continued)**

Debt service requirements on long-term debt at March 31, 2021 are as follows:

For the Year Ending March 31,	<b>Governmental Activities</b>							
	<b>Direct Borrowings &amp; Placements</b>							
	<b>Bonds Payable</b>		<b>Notes Payable</b>		<b>Other Liabilities</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 250,000	\$ 110,350	\$ 4,395	\$ 2,323	\$ 25,000	\$ -	\$ 279,395	\$ 112,673
2023	260,000	102,850	4,582	2,136	25,000	-	289,582	104,986
2024	265,000	95,050	45,383	1,941	-	-	310,383	96,991
2025	275,000	87,100	-	-	-	-	275,000	87,100
2026	280,000	78,850	-	-	-	-	280,000	78,850
2027-2031	1,540,000	262,400	-	-	-	-	1,540,000	262,400
2032-2035	1,375,000	69,400	-	-	-	-	1,375,000	69,400
	<u>\$ 4,245,000</u>	<u>\$ 806,000</u>	<u>\$ 54,360</u>	<u>\$ 6,400</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 4,349,360</u>	<u>\$ 812,400</u>

Note: the above table excludes the future debt service requirements for the premiums on bonds payable.

For the Year Ending March 31,	<b>Business-type Activities</b>	
	<b>Direct Borrowings &amp; Placements</b>	
	<b>Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2022	\$ 55,000	\$ 6,755
2023	60,000	5,862
2024	60,000	4,887
2025	60,000	3,912
2026	60,000	2,937
2027-2031	120,718	2,948
2032-2035	-	-
	<u>\$ 415,718</u>	<u>\$ 27,301</u>

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE E – LONG-TERM DEBT (continued)**

**Governmental Activities**

As of March 31, 2021, the long-term debt of governmental activities consists of the following:

**Bonds Payable**

**2020 Capital Improvement Bonds** – On March 17, 2020, the City issued \$4,495,000 in Limited Tax General Obligation bonds for the purpose of the reconstruction of 2.50 miles of 9<sup>th</sup> Street. The bonds have interest rates that range from 2.00% to 3.00%. Interest payments are due and payable each March 1 and September 1. Principal payments are due each March 1 with the first principal payment due March 1, 2021 and the final principal payment due no later than March 1, 2035. The bonds will be partially paid from the proceeds of special assessments levied against benefited property owners. In the event, a property owner would fail to pay the assessment, payment would be made by the City.

**Notes Payable** – On October 4, 2017, the City entered into an installment purchase agreement for \$66,500 to purchase a backhoe. The note is payable in six annual installments of \$6,718 through October 2023 at an interest rate of 4.25095% with a balloon payment of \$40,880 in October 2023.

**Other Liabilities** – On June 12, 2017, the City entered into an agreement for \$150,000 to pay a local business \$25,000 annually for five years in lieu of a formal Brownfield project.

**Business-type Activities**

As of March 31, 2021, the long-term debt of business-type activities consists of the following:

**Bonds Payable**

**2006 Sewage Disposal System Bonds** – On December 14, 2006, the City issued sewage disposal system revenue bond series 2006 (limited tax general obligation) for the purpose of constructing a sludge storage tank for the waste water department. The bonds were issued to the Michigan Municipal Bond Authority in the amount of \$1,090,718 and have an interest rate of 1.625%. Interest payments are due and payable each April 1 and October 1. Principal payments are due each October 1 with the final principal payment due no later than October 1, 2027. The bonds are in the form of a single fully-registered, nonconvertible bond of the denomination of the full principal amount.

**NOTE F – VESTED EMPLOYEE BENEFITS**

**Compensated Absences**

Substantially all City employees are entitled to certain vacation, sick pay benefits, and compensation time that accrue and vest based on various union and employment agreements. Compensated absences in the amount of \$192,416 are reported under governmental activities and \$146,269 is reported under business-type activities in the Statement of Net Position. For governmental activities, compensated absences are liquidated by the fund the employee's regular payroll is charged to.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE F – VESTED EMPLOYEE BENEFITS (continued)**

**Employment Benefits**

The City has negotiated buyouts with active employees that were previously entitled to post-employment health benefits based on various union and employment agreements. These buyout agreements are for varying amounts and terms. The City expects to complete the final buyout payment in fiscal year 2027. Employment benefits in the amount of \$329,500 are reported under governmental activities and \$243,000 is reported under business-type activities in the Statement of Net Position. For governmental activities, employment benefits are liquidated by the fund the employee's regular payroll is charged to.

**NOTE G – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Interfund receivables represent short-term borrowings between funds. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The City has also classified \$611,229 as noncurrent assets and liabilities in the Statement of Net Position due to the individual funds inability to repay these amounts or payback agreements put in place. The noncurrent interfund balances are not expected to be repaid within the next fiscal year. Individual fund interfund receivables and payable balances at March 31, 2021 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General Fund	\$ 55,008	General Fund	\$ 619,875
Local Street Fund	23,985	Major Street Fund	46,013
Solid Waste Fund	117,450	Local Street Fund	19,889
Electric Fund	544,342	Solid Waste Fund	55,008
Total	<u>\$ 740,785</u>	Total	<u>\$ 740,785</u>
Financial Statement Presentation:			
Governmental Funds	\$ 78,993	Governmental Funds	\$ 685,777
Enterprise Funds	661,792	Enterprise Funds	55,008
	<u>\$ 740,785</u>		<u>\$ 740,785</u>

On November 25, 2019, the City approved the purchase of equipment to be partially funded with a loan from the Solid Waste Fund to the General Fund in the amount of \$130,500. The loan is to be repaid on a 10-year payback schedule with annual payments of \$13,050 beginning in November 2020 and ending in November 2029. The remaining balance on the internal loan as of March 31, 2021 is \$117,450 with \$13,050 shown as current.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE G – INTERFUND BALANCES AND TRANSFERS (continued)**

On May 11, 2020, the City approved the purchase of equipment to be partially funded with a loan from the Electric Fund to the General Fund in the amount of \$313,268. The loan is to be repaid on a 10-year payback schedule with annual payments of \$31,363 beginning in December 2021 and ending in December 2030. The remaining balance on the internal loan as of March 31, 2021 is \$313,628 with \$31,363 shown as current.

The City also has several other noncurrent interfund balances due to inability to repay. The General fund owes the Local Street Fund \$23,985, the General Fund owes the Electric Fund \$158,662 the Major Street Fund owes the Electric Fund \$46,013, and the Local Street Fund owes the Electric Fund \$19,889.

**Interfund Balances**

The transfers to and from the various funds are made to account for budgetary authorizations, provide funding for operations as needed, and fund debt service payments. Interfund transfers for the year ended March 31, 2021 were as follows:

		TRANSFERS IN					
		General	General Debt Service	Capital Projects	Nonmajor Govern.	Electric	Total
TRANSFERS (OUT)	General	\$ -	\$ 25,000	\$ -	\$ -	\$12,000	\$ 37,000
	Major Street	-	29,400	75,598	200,000	-	304,998
	Nonmajor Govern.	102,990	236,600	25,000	15,000	-	379,590
	Electric	-	-	-	-	-	-
	Waste Water	-	25,000	-	-	-	25,000
	Water	-	18,000	-	-	-	18,000
	Nonmajor Enter.	-	-	-	-	-	-
Total		<u>\$ 102,990</u>	<u>\$ 334,000</u>	<u>\$ 100,598</u>	<u>\$ 215,000</u>	<u>\$12,000</u>	<u>\$ 764,588</u>

Financial Statement Presentation:

	<u>Transfers In</u>		<u>Transfers Out</u>
Governmental Funds	\$ 752,588	Governmental Funds	\$ 721,588
Enterprise Funds	12,000	Enterprise Funds	43,000
	<u>\$ 764,588</u>		<u>\$ 764,588</u>

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE H – RETIREMENT PLANS**

**MUNICIPAL EMPLOYEE’S RETIREMENT SYSTEM**

Description of Plan and Plan Assets

The City participates in an agent multiple-employer defined benefit pension plan with the Municipal Employees’ Retirement System (MERS). 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 MERS of Michigan plan 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 as fair value.

The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.5% times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2020.

General Information about the Pension Plan

*Plan Description.* The employer’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS is a nonprofit organization that was granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com) or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

*Benefits Provided--Defined Benefit.* The County’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984 established and amends the benefit provisions of the participants in MERS.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE H – RETIREMENT PLANS (continued)**

	Divisions - For the 2020 Valuation			
	01-General	02-Plc/Fire	10-General	20-Pub Safety
	Closed	Closed	Supervisor Closed	Comm Officers Closed
Benefit Multiplier:	2.5%-80% max	2.5%-80% max	2.5%-80% max	2.5%-80% max
Normal Retirement Age:	60	60	60	60
Vesting:	10 years	10 years	10 years	10 years
Early Retirement (unreduced):	55/25	25 and out	55/20, 25 and out	25 and out
Early Retirement (reduced):	50/25, 55/15	55/15	55/15	55/15
Final Average Compensation:	5 years	3 years	3 years	3 years
Employee Contributions:	1%	3%	0%	1%
DC Plan for New Hires:	1/1/1998	1/1/2009	1/1/1998	6/1/2015
Act 88:	No	No	No	No

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>7</u>
	51

There were no employees with pending refunds.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City’s competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The City is required to contribute at an actuarially determined rate. Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. 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 contribution rate as a monthly dollar amount for the year ended March 31, 2021 was as follows:

01 - General	\$ 23,294
02 – Police/Fire	\$ 25,958
10 – General Supervisor	\$ 33,439
20 – Public Safety Comm. Officers	\$ 5,076



**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE H – RETIREMENT PLANS (continued)**

Net Pension Liability

The City’s net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.00 percent, in the long-term
Investment rate of return	7.35 percent, net of investment expenses, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.50% long-term wage inflation assumption would be consistent with a price inflation of 3.00% - 4.00%.

Mortality rates were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of the most recent actuarial experience study covering the period from 2013 through 2018.

Beginning with the actuarial valuation as of December 31, 2019, the investment rate of return of reduced from 7.75 percent to 7.35 percent. Additionally, wage the inflation assumption was changed from 3.75 percent to 3.00 percent. Beginning with the actuarial valuation as of December 31, 2020, there were updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global Equity	60.0%	5.25%	3.15%
Global Fixed Income	20.0%	1.25%	0.25%
Private Investments	20.0%	7.25%	1.45%

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE H – RETIREMENT PLANS (continued)**

*Discount Rate.* The discount rate used to measure the total pension liability is 7.60% for 2020. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability:**

	<b>Increases (Decreases)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
<b>Balances at December 31, 2019</b>	\$ 13,624,507	\$ 7,161,934	\$ 6,462,573
Service cost	53,632	-	53,632
Interest on total pension liability	998,326	-	998,326
Changes in benefits	-	-	-
Difference between expected and actual experience	(10,976)	-	(10,976)
Changes in assumptions	269,813	-	269,813
Employer contributions	-	1,025,388	(1,025,388)
Employee contributions	-	6,824	(6,824)
Net investment income	-	934,276	(934,276)
Benefit payments, including employee refunds	(1,030,906)	(1,030,906)	-
Administrative expense	-	(14,497)	14,497
Other changes	-	-	-
<b>Net changes</b>	<b>279,889</b>	<b>921,085</b>	<b>(641,196)</b>
<b>Balances as of December 31, 2020</b>	<b>\$ 13,904,396</b>	<b>\$ 8,083,019</b>	<b>\$ 5,821,377</b>

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

	<b>Current Discount</b>		
	<b>1% Decrease 6.60%</b>	<b>Rate 7.60%</b>	<b>1% Increase 8.60%</b>
City’s net pension liability at 12/31/20	\$ 5,821,377	\$ 5,821,377	\$ 5,821,377
City’s change in net pension liability at 12/31/20	1,369,566	-	(1,165,478)
	<b>\$ 7,190,943</b>	<b>\$ 5,821,377</b>	<b>\$ 4,655,899</b>

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE H – RETIREMENT PLANS (continued)**

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

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

For the year ended March 31, 2021, the City recognized pension expense of \$681,927. At March 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	315,316	591,765
Contributions subsequent to the measurement date *	<u>263,301</u>	<u>-</u>
Total	<u>\$ 578,617</u>	<u>\$ 591,765</u>

\* 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 year ending March 31, 2022.

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

<u>Plan Year Ended December 31:</u>	
2021	\$ (55,952)
2022	7,627
2023	(150,031)
2024	<u>(78,093)</u>
	<u>\$ (276,449)</u>

At March 31, 2021, the City did not have any outstanding contributions to the pension plan.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE H – RETIREMENT PLANS (continued)**

**401 (A) RETIREMENT PLAN**

The City adopted a qualified defined contribution retirement plan in accordance to section 401 (A) of the Internal Revenue Code, which is administered by Municipal Employees' Retirement System of Michigan. Employees who are hired after December 1, 1997, with the exception of the employees who are members of the POLC union, are eligible to participate in the plan, which requires the City to contribute 8% of the employee's gross wage to the plan. In fiscal year 2010, all new hires of the POLC union are also included in this retirement plan. In addition, if the employee contributes an additional 3% to the plan the City will match the employee contribution of 3% for a total employer contribution of 11%. All contributions are held and owned in the name of each employee and are immediately vested. There are no forfeitures in the Plan. Loans are permitted under the Plan. At March 31, 2021, there are 4 terminated participants and 32 active participants.

Year Ended March 31,	Number of Participants	City's Share	Employee's Share
2017	26	\$ 146,864	\$ 39,688
2018	27	170,603	45,958
2019	31	187,837	52,500
2020	33	198,360	55,497
2021	36	203,002	54,905

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE I – FUND BALANCE/RESTRICTED NET POSITION**

As of March 31, 2021, fund balances are composed of the following:

	General Fund	Major Streets	General Debt Service	Capital Projects	Nonmajor Funds	Total Funds
<b>Nonspendable:</b>						
Prepaid items	\$ 39,864	\$ -	\$ 500	\$ -	\$ -	\$ 40,364
Inventory	15,114	-	-	-	-	15,114
Permanent fund principal	-	-	-	-	275,578	275,578
<b>Restricted for:</b>						
Debt service payments	-	-	111,116	-	-	111,116
Capital projects	-	-	-	146,402	-	146,402
Street system	-	338,671	-	-	354,813	693,484
Health & welfare	-	-	-	-	51,338	51,338
Community development	-	-	-	-	384,749	384,749
Downtown development	-	-	-	-	413,833	413,833
<b>Committed to:</b>						
Public safety equipment	128,376	-	-	-	-	128,376
Public safety fire truck	85,843	-	-	-	-	85,843
Facilities	20,000	-	-	-	-	20,000
Equipment replacement	17,237	-	-	-	-	17,237
Employee leave	5,000	-	-	-	-	5,000
<b>Unassigned:</b>	196,705	-	-	-	-	196,705
Total fund balance	<u>\$ 508,139</u>	<u>\$ 338,671</u>	<u>\$ 111,616</u>	<u>\$ 146,402</u>	<u>\$ 1,480,311</u>	<u>\$ 2,585,139</u>

Specific purposes of the nonmajor funds are presented in the combining governmental financial statements that follow the footnotes.

The government-wide statement of net position reports \$1,787,915 of expendable restricted net position, of which \$413,833 is restricted by enabling legislation.

**NOTE J – RISK MANAGEMENT**

The City of Gladstone participates as a member of the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

This summarizes certain obligations of MMRMA and the City. Except for specific coverage limits and the City's Self Insured Retention (hereinafter the "SIR") and deductibles contained in this Coverage Overview, the provisions of the Joint Powers Agreement, Coverage Documents, MMRMA rules, regulations, and administrative procedures shall prevail in any dispute. The City agrees that any dispute between the City and MMRMA will be resolved in the manner stated in the Joint Powers Agreement and MMRMA rules.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE J – RISK MANAGEMENT (continued)**

City Obligations – City of Gladstone is responsible to pay all costs, including damages, indemnification, and allocated loss adjustment expenses for each occurrence that is within the City’s SIR. City of Gladstone’s SIR and deductibles are as follows:

**Table I**  
**City Deductibles and Self Insured Retentions**

<b>COVERAGE</b>	<b>DEDUCTIBLE</b>	<b>SELF INSURED RETENTION</b>
1. Liability	None	State Pool Member
2. Vehicle Physical Damage	\$250/Vehicle	State Pool Member
3. Property & Crime	\$1,000/Occurrence	N/A
4. Fire/EMS Replacement Cost	\$1,000/Occurrence	N/A
5. Sewage System Overflow	\$0/Occurrence	N/A

The City must satisfy all deductibles before any payments are made from the City’s SIR or by MMRMA.

All costs including damages and allocated loss adjustment expenses are on an occurrence basis and must be paid first from the City’s SIR. The City’s SIR and deductibles must be satisfied fully before MMRMA will be responsible for any payments. The most MMRMA will pay is the difference between the City’s SIR and the Limits of Coverage stated in the Coverage Overview. City of Gladstone agrees to maintain, at all times, on account with MMRMA sufficient funds to pay its SIR obligations. The City agrees to abide by all MMRMA rules, regulations, and administrative procedures pertaining to the City’s SIR.

MMRMA Obligations – After the City’s SIR and deductibles have been satisfied, MMRMA will be responsible for paying all remaining costs, including damages, indemnification, and allocated loss adjustment expenses up to limits established per agreement between the City and MMRMA.

At March 31, 2021, the City had no outstanding claims which exceeded the plan’s limits and there has been no significant reduction in insurance coverage over the past three years.

**NOTE K – CONTINGENT LIABILITIES**

The City has received financial assistance from federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the City. However, in the opinion on management, any such disallowed claims will not have a material effect on any of the financial statements or on the overall financial position of the City at March 31, 2021.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE L – JOINT VENTURE – DELTA SOLID WASTE LANDFILL**

The Delta Solid Waste Management Authority was incorporated in 1984, pursuant to Act 233, Public Acts of Michigan, 1955, by the County of Delta and the local units of government within the County. It was established in order to provide for a new landfill since the current county-wide site, owned by the City of Gladstone, was approaching saturation.

The Authority is governed by a seven-person Board of Directors, composed of three representatives of the participating townships, three representatives of the participating cities and one member of the Delta County Board of Commissioners. The three members of the Authority Board from the villages and townships will be selected by and from a body composed of one representative from each such township or village; the three board members of the cities shall be selected by and from a body composed of two representatives from each such city; and the member of the Delta County Board of Commissioners shall be chosen by said Board of Commissioners after review of recommendations by the Townships, Villages and City representatives. The Authority as described herein has no taxing power.

The following local governmental units are participants in the Authority; shown with their respective percentage shares in the Authority:

<u>Local Governmental Unit</u>	<u>Percentage Share</u>
Delta County	51.8%
City of Escanaba	18.6%
City of Gladstone	5.9%
Local Townships	23.7%
	<u>100.0%</u>

Operation and maintenance costs are paid out of tipping fees assessed against users of the landfill. Parties that use the landfill include the municipal sanitation systems of the cities of Escanaba and Gladstone, and private solid waste companies serving the local units. The landfill began operation in December 1985. Currently City management feels the landfill does not pose any additional financial burden or benefit on the City. Financial information of the Delta Solid Waste Management Authority and Recycling Program is available at their administrative office located at 5701 19<sup>th</sup> Avenue North, Escanaba, MI 49829.

**NOTE M – SINGLE AUDIT**

For the year ended March 31, 2021, the City did not expend more than \$750,000 in federal awards and therefore a single audit in accordance with Uniform Guidance was not required in 2021.

**NOTE N – TAX ABATEMENTS**

For the year ended March 31, 2021, the city did not have material tax abatements.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE O – FUTURE CHANGES IN ACCOUNTING PRINCIPLE**

The Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2022-2023 fiscal year.

The Governmental Accounting Standards Board issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.

Under this Statement, a PPP is defined as an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial assets, such as infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Under this Statement a PPP meets the definition of a service concession arrangement (SCA) if: (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2023-2024 fiscal year.



**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE O – FUTURE CHANGES IN ACCOUNTING PRINCIPLE (continued)**

The Governmental Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) for government end users (governments) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government’s financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government’s SBITA activities and evaluate a government’s obligations and assets resulting from SBITAs. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2023-2024 fiscal year.

The Governmental Accounting Standards Board issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 plan should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the City's financial statements for the 2022-2023 fiscal year.

**NOTE P– SUBSEQUENT EVENT**

The Gladstone Housing Commission applied for and received approval to convert 52 units to a Project-Based Rental Assistance (PBRA) Section 8 program. The Housing Assistance Payment (HAP) contract begins on June 1, 2021 and shall run for an initial term of 20 years. The funding for the conversion includes Tax Credit Equity, a Commercial Non-FHA Loan, Seller Note/Take Back Financing, and Public Housing Operating Reserves; the total estimated Sources and Uses Cost will be \$6,407,770.

**CITY OF GLADSTONE, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

March 31, 2021

**NOTE P– SUBSEQUENT EVENT (continued)**

The on-going subsidy known as the HAP contract was awarded to the Waterview Apartments 1 LDHA, LLC (LLC). The LLC consists of two major components: the Tax Credit Investor which is a 99.99% Member; and the Waterview GP 1, LLC (GP 1) which is a .001% Member. GP 1 is further owned by two major components: RAD Conversion Specialists, LLC, a 10% Member and the Gladstone Housing, LLC, a 90% Member. The Gladstone Housing, LLC is 100% owned by the Gladstone Housing Development Corporation; the RAD Conversion Specialists is owned by Slavik Company 50% Member, and Premier Property Management, LLC, 50% Member. The Gladstone Housing Commission (GHC) also manages 50 units of Low Rent Public Housing Units under the original Annual Contributions Contract (ACC) and will have two 100% owned components: the Gladstone Housing Development Corporation, and the Waterview GP 1, LLC. The GHC's interest in the HAP contract will consist of .0009%; the Gladstone Housing, LLC has a 90% interest of the .001 interest in the LLC.

Currently the management of the LLC property will be by contract; the LLC will contract with the GHC. The GHC will receive a fee and reimbursement of all approved operating expenses which will include wages. The Contract to manage the property has not been finalized as of the date of this audit, however will be completed at the end of the construction period. Construction is underway and expected to be completed by December 31, 2021.

**REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF GLADSTONE, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended March 31, 2021**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive (Negative)
<b>REVENUES:</b>				
Federal sources	\$ -	\$ 120,704	\$ 147,615	\$ 26,911
State sources	555,900	555,900	558,100	2,200
Local sources	329,565	140,165	80,284	(59,881)
Taxes	1,738,229	1,738,229	1,696,053	(42,176)
Charges for services	652,275	1,113,726	894,865	(218,861)
Interest income	3,500	38,572	(93)	(38,665)
Miscellaneous	83,730	70,910	92,638	21,728
Total revenues	<u>3,363,199</u>	<u>3,778,206</u>	<u>3,469,462</u>	<u>(308,744)</u>
<b>EXPENDITURES:</b>				
General government:				
City commission	129,585	129,585	100,644	28,941
City manager	128,720	128,720	105,741	22,979
Elections	23,150	31,450	30,673	777
City assessor	58,077	62,277	60,200	2,077
Board of review	2,953	2,953	1,599	1,354
City treasurer	110,792	134,957	130,640	4,317
City clerk	136,318	142,963	131,096	11,867
City hall	50,720	48,556	43,828	4,728
Office clerk	78,346	81,346	80,837	509
Computer & copier	9,200	21,200	21,102	98
Pension	25,000	25,000	25,000	-
Public health and safety:				
Police department	1,456,001	1,469,864	1,360,830	109,034
Fire department	162,230	162,230	116,168	46,062
Building and housing inspections	152,805	152,805	126,320	26,485
Canine	1,875	1,875	190	1,685
Parks and recreation:				
Recreation administrative	189,312	273,312	272,296	1,016
Parks	72,400	72,400	71,580	820
Beach	37,650	37,650	12,382	25,268
Sports park	86,532	100,532	70,752	29,780
Campground	68,922	68,922	72,400	(3,478)
Miscellaneous	74,352	74,352	46,698	27,654
Cemetery:				
Ground maintenance and burials	75,220	69,115	64,501	4,614
General public works:				
Forestry	12,359	34,687	29,797	4,890
Sidewalks & alley maintenance	26,806	30,622	29,674	948
Grounds maintenance	126,556	109,176	88,019	21,157
Motor pool	206,730	169,730	172,824	(3,094)
Capital outlay	402,900	722,228	487,978	234,250
Debt service	6,718	6,718	6,718	-
Total expenditures	<u>3,912,229</u>	<u>4,365,225</u>	<u>3,760,487</u>	<u>604,738</u>
Excess revenues (expenditures)	<u>(549,030)</u>	<u>(587,019)</u>	<u>(291,025)</u>	<u>295,994</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	-	659,556	-	(659,556)
Transfer in	638,538	191,650	102,990	(88,660)
Transfer out	(89,508)	(89,508)	(37,000)	52,508
Total other financing sources (uses)	<u>549,030</u>	<u>761,698</u>	<u>65,990</u>	<u>(695,708)</u>
Net changes in fund balances	-	174,679	(225,035)	(399,714)
Fund balances - beginning	<u>733,174</u>	<u>733,174</u>	<u>733,174</u>	<u>-</u>
Fund balances - ending	<u>\$ 733,174</u>	<u>\$ 907,853</u>	<u>\$ 508,139</u>	<u>\$ (399,714)</u>

**CITY OF GLADSTONE, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**MAJOR STREET FUND**  
**For the Year Ended March 31, 2021**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
State sources	\$ 591,172	\$ 592,822	\$ 559,478	\$ (33,344)
Local sources	-	-	-	-
Special Assessments	100,000	-	42,781	42,781
Interest income	750	750	(2,556)	(3,306)
Miscellaneous	500	500	810	310
	<u>692,422</u>	<u>594,072</u>	<u>600,513</u>	<u>6,441</u>
<b>EXPENDITURES:</b>				
Street system	378,607	264,465	237,512	26,953
Capital outlay	97,600	41,950	41,995	(45)
	<u>476,207</u>	<u>306,415</u>	<u>279,507</u>	<u>26,908</u>
Excess revenues (expenditures)	<u>216,215</u>	<u>287,657</u>	<u>321,006</u>	<u>33,349</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	18,185	18,185	-	(18,185)
Transfer out	(234,400)	(310,000)	(304,998)	5,002
	<u>(216,215)</u>	<u>(291,815)</u>	<u>(304,998)</u>	<u>(13,183)</u>
Net changes in fund balances	-	(4,158)	16,008	20,166
Fund balances - beginning	<u>322,663</u>	<u>322,663</u>	<u>322,663</u>	<u>-</u>
Fund balances - ending	<u>\$ 322,663</u>	<u>\$ 318,505</u>	<u>\$ 338,671</u>	<u>\$ 20,166</u>

**CITY OF GLADSTONE, MICHIGAN**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**AND RELATED RATIOS - RETIREMENT SYSTEM**  
**For the Plan Years Ended December 31**  
(Schedule is prepared prospectively upon implementation of GASB 68)

	2015	2016	2017	2018	2019	2020
<b>Total pension liability</b>						
Service cost	\$ 84,917	\$ 85,502	\$ 58,336	\$ 46,590	\$ 47,899	\$ 53,632
Interest	953,137	979,922	1,019,988	1,016,964	1,016,752	998,326
Change in benefits	3,739	-	-	-	-	-
Difference between expected and actual experience	(30,084)	335,350	(138,780)	(44,558)	(54,199)	(10,976)
Change in assumptions	523,082	-	-	-	447,771	269,813
Benefit payments, including refund of member contributions	(842,391)	(836,086)	(936,653)	(1,006,283)	(1,038,320)	(1,030,906)
Other	-	-	(4)	-	1	-
<b>Net change in total pension liability</b>	692,400	564,688	2,887	12,713	419,904	279,889
<b>Total pension liability - beginning</b>	11,931,915	12,624,315	13,189,003	13,191,890	13,204,603	13,624,507
<b>Total pension liability - ending</b>	<u>\$ 12,624,315</u>	<u>\$ 13,189,003</u>	<u>\$ 13,191,890</u>	<u>\$ 13,204,603</u>	<u>\$ 13,624,507</u>	<u>\$ 13,904,396</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 642,574	\$ 841,312	\$ 768,951	\$ 956,931	\$ 1,022,538	\$ 1,025,388
Contributions - employee	12,492	12,791	8,995	6,601	6,625	6,824
Net investment income (loss)	(83,968)	615,682	792,296	(259,575)	864,446	934,276
Benefit payments, including refunds of member contributions	(842,391)	(836,086)	(936,653)	(1,006,283)	(1,038,320)	(1,030,906)
Administrative expense	(12,265)	(12,163)	(12,544)	(12,842)	(14,899)	(14,497)
<b>Net change in plan fiduciary net position</b>	(283,558)	621,536	621,045	(315,168)	840,390	921,085
<b>Plan fiduciary net position - beginning</b>	5,677,689	5,394,131	6,015,667	6,636,712	6,321,544	7,161,934
<b>Plan fiduciary net position - ending</b>	<u>\$ 5,394,131</u>	<u>\$ 6,015,667</u>	<u>\$ 6,636,712</u>	<u>\$ 6,321,544</u>	<u>\$ 7,161,934</u>	<u>\$ 8,083,019</u>
<b>City's net pension liability - ending</b>	<u>\$ 7,230,184</u>	<u>\$ 7,173,336</u>	<u>\$ 6,555,178</u>	<u>\$ 6,883,059</u>	<u>\$ 6,462,573</u>	<u>\$ 5,821,377</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	43%	46%	50%	48%	53%	58%
<b>Covered - employee payroll</b>	\$ 760,520	\$ 751,993	\$ 525,382	\$ 434,047	\$ 447,960	\$ 504,170
<b>City's net pension liability as a percentage of covered-employee payroll</b>	951%	954%	1248%	1586%	1443%	1155%
<b>Annual money-weighted rate of return, net of investment expense</b>	-2%	11%	13%	-4%	13%	13%

Note: Schedule prepared based on measurement date of December 31

Assumption changes: In the 2019 MERS valuation, the investment rate of return was reduced from 7.75 percent to 7.35 percent. Additionally, the inflation assumption was changed from 3.75 percent to 3.00 percent.

**CITY OF GLADSTONE, MICHIGAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**RETIREMENT SYSTEM**  
**For the Fiscal Years Ended March 31**  
**(Schedule is prepared prospectively upon implementation of GASB 68)**

	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 545,395	\$ 674,856	\$ 721,620	\$ 784,728	\$ 889,332	\$ 941,940	\$ 1,053,204
Contributions in relation to the actuarially determined contribution	545,395	674,856	721,620	784,728	1,076,832	941,940	1,053,204
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (187,500)	\$ -	\$ -
Covered - employee payroll	\$ 726,599	\$ 760,520	\$ 751,993	\$ 525,382	\$ 434,047	\$ 447,960	\$ 504,170
Contributions as a percentage of covered-employee payroll	75%	89%	96%	149%	248%	210%	209%

**Notes to Schedule:**

Methods and assumptions used to determine contribution rates:

Valuation Date	Actuarially determined contribution rates are calculated as of December 31st, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	10 years
Asset valuation method	5-years smoothed market
Inflation	2.50%
Salary increases	3.75%, average, including inflation
Investment rate of return	7.75%
Retirement age	50-60 years of age depending on years of credited service
Mortality	50% Female/50% Male blend of RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables
Assumption changes	In the 2019 MERS valuation, the investment rate of return was reduced from 7.75 percent to 7.35 percent, which will first impact 2021 contributions. Additionally, the inflation assumption was changed from 3.75 percent to 3.00 percent. In the 2020 MERS valuation, demographic assumptions including mortality, retirement, disability, and termination rates were updated based on the recent experience study, which will first impact 2022 contributions.

Note Above dates are based on fiscal year and not the measurement date

**OTHER SUPPLEMENTAL INFORMATION**



**CITY OF GLADSTONE, MICHIGAN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
March 31, 2021**

	Special Revenue Funds			
	Local Street	MSHDA Homeowner	MSHDA Habitat Rehab	Mary Cretens Trust
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 315,815	\$ -	\$ -	\$ -
Receivables:				
Accounts	123	-	-	-
Special assessments	7,266	-	-	-
Due from other governmental units	37,548	-	-	-
Due from other funds	23,985	-	-	-
Restricted cash, cash equivalents and investments	-	26,338	25,000	384,749
Total assets	\$ 384,737	\$ 26,338	\$ 25,000	\$ 384,749
<b>LIABILITIES</b>				
Accounts payable	\$ 833	\$ -	\$ -	\$ -
Accrued payroll	1,936	-	-	-
Due to other funds	19,889	-	-	-
Total liabilities	22,658	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Special assessments-Unavailable revenue	7,266	-	-	-
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	354,813	26,338	25,000	384,749
Total fund balances	354,813	26,338	25,000	384,749
Total liabilities, deferred inflows of resources, and fund balances	\$ 384,737	\$ 26,338	\$ 25,000	\$ 384,749

See accompanying notes to financial statements.

<u>Special Revenue Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Downtown Development Authority	Cemetery Perpetual Care	
\$ 419,463	\$ -	735,278
-	-	123
-	-	7,266
-	-	37,548
-	-	23,985
-	275,678	711,765
<u>\$ 419,463</u>	<u>\$ 275,678</u>	<u>\$ 1,515,965</u>
\$ 5,630	\$ 100	\$ 6,563
-	-	1,936
-	-	19,889
<u>5,630</u>	<u>100</u>	<u>28,388</u>
-	-	7,266
-	275,578	275,578
413,833	-	1,204,733
<u>413,833</u>	<u>275,578</u>	<u>1,480,311</u>
<u>\$ 419,463</u>	<u>\$ 275,678</u>	<u>\$ 1,515,965</u>

See accompanying notes to financial statements.

**CITY OF GLADSTONE, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended March 31, 2021**

	Special Revenue Funds			
	Local Street	MSHDA Homeowner	MSHDA Habitat Rehab	Mary Cretens Trust
<b>REVENUES:</b>				
Federal sources	\$ -	\$ -	\$ -	\$ -
State sources	233,349	-	25,000	-
Local sources	-	-	-	154,496
Taxes	2,826	-	-	-
Special assessments	-	-	-	-
Investment gain/(loss)	(939)	-	-	(2,699)
Miscellaneous	132	-	-	-
Total revenues	<u>235,368</u>	<u>-</u>	<u>25,000</u>	<u>151,797</u>
<b>EXPENDITURES:</b>				
Cemetery	-	-	-	-
Street system	214,582	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>214,582</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenues (expenditures)	<u>20,786</u>	<u>-</u>	<u>25,000</u>	<u>151,797</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	215,000	-	-	-
Transfers out	(9,600)	-	-	(142,990)
Total other financing sources (uses)	<u>205,400</u>	<u>-</u>	<u>-</u>	<u>(142,990)</u>
Net changes in fund balances	226,186	-	25,000	8,807
Fund balances - beginning	<u>128,627</u>	<u>26,338</u>	<u>-</u>	<u>375,942</u>
Fund balances - ending	<u>\$ 354,813</u>	<u>\$ 26,338</u>	<u>\$ 25,000</u>	<u>\$ 384,749</u>

See accompanying notes to financial statements.

<u>Special Revenue Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Downtown Development Authority	Cemetery Perpetual Care	
\$ -	\$ -	\$ -
-	-	258,349
-	3,600	158,096
377,599	-	380,425
-	-	-
(2,327)	(2,012)	(7,977)
865	-	997
<u>376,137</u>	<u>1,588</u>	<u>789,890</u>
-	119	119
-	-	214,582
92,771	-	92,771
-	-	-
25,000	-	25,000
-	-	-
<u>117,771</u>	<u>119</u>	<u>332,472</u>
<u>258,366</u>	<u>1,469</u>	<u>457,418</u>
-	-	215,000
(227,000)	-	(379,590)
<u>(227,000)</u>	<u>-</u>	<u>(164,590)</u>
31,366	1,469	292,828
<u>382,467</u>	<u>274,109</u>	<u>1,187,483</u>
<u>\$ 413,833</u>	<u>\$ 275,578</u>	<u>\$ 1,480,311</u>

See accompanying notes to financial statements.

**CITY OF GLADSTONE, MICHIGAN**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**March 31, 2021**

	Economic Development Corporation	Harbor	Solid Waste	Total Nonmajor Enterprise Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 40,902	\$ 76,179	\$ -	\$ 117,081
Investments	4,277	4,193	10,079	18,549
Receivables:				
Utilities	-	-	86,586	86,586
Miscellaneous	-	1,330	500	1,830
Due from other funds	-	-	13,050	13,050
Prepaid items	-	-	8	8
Total current assets	<u>45,179</u>	<u>81,702</u>	<u>110,223</u>	<u>237,104</u>
Noncurrent assets:				
Investments	46,420	45,510	109,397	201,327
Advance due from other funds	-	-	104,400	104,400
Capital assets, net of accumulated depreciation	25,577	276,198	348,337	650,112
Total noncurrent assets	<u>71,997</u>	<u>321,708</u>	<u>562,134</u>	<u>955,839</u>
Total assets	<u>\$ 117,176</u>	<u>\$ 403,410</u>	<u>\$ 672,357</u>	<u>\$ 1,192,943</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflow - pension plan	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,518</u>	<u>\$ 7,518</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 625	\$ 1,319	\$ 339	\$ 2,283
Accrued payroll	-	238	4,478	4,716
Unearned revenue	-	47,821	-	47,821
Due to other funds	-	-	55,008	55,008
Total current liabilities	<u>625</u>	<u>49,378</u>	<u>59,825</u>	<u>109,828</u>
Noncurrent liabilities:				
Net pension liability	-	-	78,636	78,636
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>78,636</u>	<u>78,636</u>
Total liabilities	<u>\$ 625</u>	<u>\$ 49,378</u>	<u>\$ 138,461</u>	<u>\$ 188,464</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflow - pension plan	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,569</u>	<u>\$ 7,569</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 25,577	\$ 276,198	\$ 348,337	\$ 650,112
Restricted	39,727	-	-	39,727
Unrestricted	51,247	77,834	185,508	314,589
Total net position	<u>\$ 116,551</u>	<u>\$ 354,032</u>	<u>\$ 533,845</u>	<u>\$ 1,004,428</u>

See accompanying notes to financial statements.

**CITY OF GLADSTONE, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended March 31, 2021**

	Economic Development Corporation	Harbor	Solid Waste	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES:</b>				
Charges for services	\$ -	\$ 68,357	\$ 451,440	\$ 519,797
Miscellaneous	-	-	7,383	7,383
<b>Total operating revenue</b>	<b>-</b>	<b>68,357</b>	<b>458,823</b>	<b>527,180</b>
<b>OPERATING EXPENSES:</b>				
Salaries and fringes	-	16,635	200,796	217,431
Supplies	-	17,180	24,930	42,110
Contracted services	21,696	18,558	59,879	100,133
Repairs and maintenance	-	674	7,635	8,309
Utilities	-	7,895	(131)	7,764
Rent	-	731	13,614	14,345
Insurance	-	650	400	1,050
Education and training	-	-	-	-
Landfill tipping fees	-	-	95,094	95,094
Depreciation	1,755	23,551	41,799	67,105
Miscellaneous	-	1,296	1,538	2,834
<b>Total operating expenses</b>	<b>23,451</b>	<b>87,170</b>	<b>445,554</b>	<b>556,175</b>
<b>Operating income (loss)</b>	<b>(23,451)</b>	<b>(18,813)</b>	<b>13,269</b>	<b>(28,995)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment gain (loss)	(950)	(824)	(2,051)	(3,825)
<b>Income (loss) before transfers, contributions and special items</b>	<b>(24,401)</b>	<b>(19,637)</b>	<b>11,218</b>	<b>(32,820)</b>
Transfer in	-	-	-	-
Transfer out	-	-	-	-
<b>Change in net position</b>	<b>(24,401)</b>	<b>(19,637)</b>	<b>11,218</b>	<b>(32,820)</b>
<b>Total net position - beginning</b>	<b>140,952</b>	<b>373,669</b>	<b>522,627</b>	<b>1,037,248</b>
<b>Total net position - ending</b>	<b>\$ 116,551</b>	<b>\$ 354,032</b>	<b>\$ 533,845</b>	<b>\$ 1,004,428</b>

See accompanying notes to financial statements.

**CITY OF GLADSTONE, MICHIGAN**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended March 31, 2021**

	Economic Development Corporation	Harbor	Solid Waste	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ -	\$ 67,227	\$ 452,170	\$ 519,397
Payments to suppliers	(21,767)	(13,540)	(210,651)	(245,958)
Payments for wages and related benefits	-	(16,397)	(203,638)	(220,035)
Other receipts (payments)	-	-	75,441	75,441
Net cash provided (used) by operating activities	<u>(21,767)</u>	<u>37,290</u>	<u>113,322</u>	<u>128,845</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of fixed assets	-	-	(90,969)	(90,969)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(90,969)</u>	<u>(90,969)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment securities	(50,697)	(49,703)	(119,477)	(219,877)
Sale of investment securities	-	-	-	-
Investment gain (loss)	(950)	(824)	(2,051)	(3,825)
Net cash provided (used) by investing activities	<u>(51,647)</u>	<u>(50,527)</u>	<u>(121,528)</u>	<u>(223,702)</u>
Net increase (decrease) in cash and equivalents	(73,414)	(13,237)	(99,175)	(185,826)
Cash and equivalents, beginning of year	114,316	89,416	99,175	302,907
Cash and equivalents, end of year	<u>\$ 40,902</u>	<u>\$ 76,179</u>	<u>\$ -</u>	<u>\$ 117,081</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (23,451)	\$ (18,813)	\$ 13,269	\$ (28,995)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	1,756	23,551	41,799	67,106
Changes in assets and liabilities:				
(Increase) decrease in receivables	-	(1,130)	730	(400)
(Increase) decrease in prepaid items	-	-	1,552	1,552
(Increase) decrease in interfunds	-	-	68,058	68,058
(Increase) decrease in deferred outflows	-	-	1,684	1,684
Increase (decrease) in accounts payable	(72)	(317)	(9,244)	(9,633)
Increase (decrease) in accrued payroll	-	238	1,501	1,739
Increase (decrease) in net pension liability	-	-	(7,666)	(7,666)
Increase (decrease) in unearned revenue	-	33,761	-	33,761
Increase (decrease) in deferred inflows	-	-	1,639	1,639
Net cash provided by operating activities	<u>\$ (21,767)</u>	<u>\$ 37,290</u>	<u>\$ 113,322</u>	<u>\$ 128,845</u>

See accompanying notes to financial statements.

**CITY OF GLADSTONE, MICHIGAN**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**March 31, 2021**

	Retirement System Fund	Employee Health Care Fund	Total Internal Service Funds
<b>ASSETS</b>			
Current assets:			
Cash, cash equivalents and investments	\$ 269,081	\$ -	\$ 269,081
Investments	32,301	-	32,301
Total current assets	301,382	-	301,382
Noncurrent assets:			
Investments	350,586	-	350,586
Total assets	\$ 651,968	\$ -	\$ 651,968
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total current liabilities	-	-	-
Total liabilities	\$ -	\$ -	\$ -
<b>NET POSITION</b>			
Net investment in capital assets	\$ -	\$ -	\$ -
Unrestricted	651,968	-	651,968
Total net position	\$ 651,968	\$ -	\$ 651,968

See accompanying notes to financial statements.



**CITY OF GLADSTONE, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended March 31, 2021**

	Retirement System Fund	Employee Health Care Fund	Total Internal Service Funds
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 100,000	\$ -	\$ 100,000
Miscellaneous	-	-	-
Total operating revenue	<u>100,000</u>	<u>-</u>	<u>100,000</u>
<b>OPERATING EXPENSES:</b>			
Salaries and fringes	\$ 347,173	\$ 2,756	\$ 349,929
Total operating expenses	<u>347,173</u>	<u>2,756</u>	<u>349,929</u>
Operating income (loss)	<u>(247,173)</u>	<u>(2,756)</u>	<u>(249,929)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment gain (loss)	<u>(7,171)</u>	<u>(47)</u>	<u>(7,218)</u>
Income (loss) before transfers, contributions and special items	(254,344)	(2,803)	(257,147)
Transfer in	-	-	-
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(254,344)	(2,803)	(257,147)
Total net position - beginning	<u>906,312</u>	<u>2,803</u>	<u>909,115</u>
Total net position - ending	<u><u>\$ 651,968</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 651,968</u></u>

See accompanying notes to financial statements.

**CITY OF GLADSTONE, MICHIGAN**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended March 31, 2021**

	Retirement System Fund	Employee Health Care Fund	Total Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ -	\$ -	\$ -
Cash receipts from interfund services provided	100,000	-	100,000
Payments to suppliers	-	-	-
Payments for wages and related benefits	<u>(347,173)</u>	<u>(2,756)</u>	<u>(349,929)</u>
Net cash provided (used) by operating activities	<u>(247,173)</u>	<u>(2,756)</u>	<u>(249,929)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(382,887)	-	(382,887)
Sale of investments	-	-	-
Investment gain (loss)	<u>(7,171)</u>	<u>(47)</u>	<u>(7,218)</u>
Net cash provided (used) by investing activities	<u>(390,058)</u>	<u>(47)</u>	<u>(390,105)</u>
Net increase (decrease) in cash and equivalents	(637,231)	(2,803)	(640,034)
Cash and equivalents, beginning of year	<u>906,312</u>	<u>2,803</u>	<u>909,115</u>
Cash and equivalents, end of year	<u>\$ 269,081</u>	<u>\$ -</u>	<u>\$ 269,081</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (247,173)	\$ (2,756)	\$ (249,929)
Changes in assets and liabilities:			
(Increase) decrease in receivables	-	-	-
Increase (decrease) in accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ (247,173)</u>	<u>\$ (2,756)</u>	<u>\$ (249,929)</u>

See accompanying notes to financial statements.

**ADDITIONAL SUPPLEMENTAL INFORMATION**

**CITY OF GLADSTONE, MICHIGAN**  
**ALL UTILITY FUNDS**  
**SCHEDULE OF OPERATING STATISTICS (UNAUDITED)**  
**For the Year Ended March 31, 2021**

ALL UTILITIES:

Population served per 2020 census	5,257
Average number of meters in service	5,430

ELECTRIC UTILITY FUND:

K.W.H. purchased	32,445,677
K.W.H. sold	<u>31,256,236</u>
 K.W.H. lost (4%)	 <u>1,189,441</u>
 Revenue from sales	 <u>\$ 3,888,432</u>
 Average number of meters	 3,128

WATER UTILITY FUND:

Gallons pumped into plant	118,262,500
Gallons used in plant, system maintenance & let runs	<u>5,230,834</u>
 Gallons pumped to mains	 113,031,666
Gallons sold	<u>91,600,000</u>
 Gallons lost (18%)	 <u>21,431,666</u>
 Revenue from sales	 <u>\$ 847,215</u>
 Average number of meters in service	 2,302

WASTE WATER UTILITY FUND:

Revenue from sales	<u>\$ 822,181</u>
--------------------	-------------------

**CITY OF GLADSTONE, MICHIGAN**  
**SCHEDULE OF STATE EQUALIZED VALUATION & TAXABLE VALUES**  
**(UNAUDITED)**  
**For the Year Ended March 31, 2021**

Year	Real	Personal	Total
1980	\$ 22,818,556	\$ 1,416,900	\$ 24,235,456
1981	23,717,233	1,402,900	25,120,133
1982	25,591,300	1,416,100	27,007,400
1983	26,259,100	1,735,400	27,994,500
1984	26,456,400	1,886,300	28,342,700
1985	27,148,200	2,128,500	29,276,700
1986	28,189,600	2,339,400	30,529,000
1987	28,523,700	2,300,100	30,823,800
1988	28,897,200	3,542,000	32,439,200
1989	29,348,900	3,564,000	32,912,900
1990	30,052,800	3,928,000	33,980,800
1991	32,466,100	4,025,000	36,491,100
1992	35,490,200	4,653,700	40,143,900
1993	34,997,900	4,170,900	39,168,800
1994	37,978,900	4,598,000	42,576,900
1995	40,146,600	4,840,200	44,986,800
1996	44,252,300	5,614,100	49,866,400
1997	44,731,000	5,547,450	50,278,450
1998	48,702,846	6,544,900	55,247,746
1999	52,246,500	7,261,900	59,508,400
2000	56,966,800	7,003,200	63,970,000
2001	61,646,100	6,894,200	68,540,300
2002	65,730,220	7,074,246	72,804,466
2003	69,954,964	7,532,830	77,487,794
2004	73,303,100	6,376,000	79,679,100
2005	77,310,900	6,341,200	83,652,100
2006	82,438,553	6,280,247	88,718,800
2007	85,949,610	6,439,250	92,388,860
2008	88,547,733	5,930,894	94,478,627
2009	91,044,442	5,546,476	96,590,918
2010	91,709,532	5,325,444	97,034,976
2011	89,049,581	6,938,949	95,988,530
2012	92,552,022	6,252,741	98,804,763
2013	94,803,405	6,911,937	101,715,342
2014	95,117,711	8,423,595	103,541,306
2015	94,312,251	11,278,862	105,591,113
2016	93,470,914	12,684,877	106,155,791
2017	95,022,933	12,478,411	107,501,344
2018	100,807,552	13,633,954	114,441,506
2019	102,932,237	13,382,676	116,314,913
2020	104,570,911	12,955,838	117,526,749

Note: Pursuant to Proposal A, assessed property taxes are levied based upon taxable values beginning in 1995.

**CITY OF GLADSTONE, MICHIGAN**  
**SCHEDULE OF ANNUAL TAX RATES (PER \$1,000 VALUATION)**  
**(UNAUDITED)**  
**For the Year Ended March 31, 2021**

Year	City Tax	School *	Schools			Total Taxes	Community College	County Taxes	I.S.D.	Total
			Non-Homestead	State	Debt					
1961	14.7300	17.0000	-	-	-	31.7300	-	7.9300	-	39.6600
1962	14.7400	23.6000	-	-	-	38.3400	-	7.9500	-	46.2900
1963	14.7700	23.3900	-	-	-	38.1600	1.1410	10.1550	0.1140	49.5700
1964	15.9100	23.1200	-	-	-	39.0300	1.1400	8.1600	0.0800	48.4100
1965	15.9300	24.2300	-	-	-	40.1600	1.1400	8.2300	0.1000	49.6300
1966	15.9000	24.8600	-	-	-	40.7600	1.1400	8.2100	0.6900	50.8000
1967	14.0600	21.8000	-	-	-	35.8600	1.0000	6.2000	0.6000	43.6600
1968	14.0000	23.3000	-	-	-	37.3000	2.5000	5.2000	0.6000	45.6000
1969	15.0000	21.8000	-	-	-	36.8000	2.5000	5.2000	1.1100	45.6100
1970	17.0000	19.8000	-	-	-	36.8000	2.5000	5.9000	1.1460	46.3460
1971	17.0000	22.0000	-	-	-	39.0000	2.5000	5.9000	2.2200	49.6200
1972	17.0000	21.3000	-	-	-	38.3000	2.5000	6.2000	2.6500	49.6500
1973	17.0000	27.1000	-	-	-	44.1000	2.5000	5.0000	2.7000	54.3000
1974	16.0000	24.1000	-	-	-	40.1000	2.5000	5.0000	2.7000	50.3000
1975	17.0000	23.7000	-	-	-	40.7000	2.5000	5.4500	2.6500	51.3000
1976	17.0000	27.2000	-	-	-	44.2000	2.5000	5.4500	2.6500	54.8000
1977	17.0000	27.2800	-	-	-	44.2800	2.5000	5.4500	2.6500	54.8800
1978	17.0000	16.7300	-	-	-	33.7300	2.5000	5.4500	2.6500	44.3300
1979	17.0000	27.6000	-	-	-	44.6000	2.5000	5.4500	2.6500	55.2000
1980	17.0000	30.1200	-	-	-	47.1200	2.5000	5.4500	2.6500	57.7200
1981	17.0000	32.4800	-	-	-	49.4800	2.5000	5.4500	2.6500	60.0800
1982	16.9900	31.2800	-	-	-	48.2700	2.5000	5.2000	2.6500	58.6200
1983	16.9371	21.2800	-	-	-	38.2171	2.5000	5.0844	2.6500	48.4515
1984	16.8867	31.6129	-	-	-	48.4996	2.5000	5.4500	2.6500	59.0996
1985	17.0000	33.8496	-	-	-	50.8496	2.5000	5.4500	2.6500	61.4496
1986	17.0000	33.4659	-	-	-	50.4659	2.5000	5.4500	2.6500	61.0659
1987	17.0000	33.2594	-	-	-	50.2594	2.5000	6.1000	2.6500	61.5094
1988	17.0000	33.2732	-	-	-	50.2732	2.5000	5.4500	2.6500	60.8732
1989	17.0000	37.5654	-	-	-	54.5654	2.5000	6.1000	2.6500	65.8154
1990	17.0000	37.5452	-	-	-	54.5452	2.5000	7.0500	2.6500	66.7452
1991	17.0000	37.0772	-	-	-	54.0772	2.5000	7.1000	2.6500	66.3272
1992	17.0000	37.0522	-	-	-	54.0522	2.5000	7.1000	2.6500	66.3022
1993	16.6575	35.6443	-	-	-	52.3018	2.4055	7.0873	2.5501	64.3447
1994	16.3115	-	18.0000	6.0000	1.5051	41.8166	2.3735	7.0483	2.5124	53.7508
1995	16.3115	-	18.0000	6.0000	1.5051	41.8166	3.2735	7.0483	2.5124	54.6508
1996	16.3115	-	18.0000	6.0000	1.0291	41.3406	3.3735	7.0483	2.5124	54.2748
1997	16.2528	-	18.0000	6.0000	8.5600	48.8128	3.3735	7.0483	2.5117	61.7463
1998	16.2528	-	18.0000	6.0000	8.5600	48.8128	3.3735	7.0483	2.5117	61.7463
1999	16.1065	-	18.0000	6.0000	8.5600	48.6665	3.3600	7.0107	2.4917	61.5289
2000	15.9180	-	18.0000	6.0000	8.5600	48.4780	3.3585	6.6319	2.4807	60.9491
2001	15.6744	-	18.0000	6.0000	8.5600	48.2344	3.3511	6.6112	2.4695	60.6662
2002	15.6680	-	18.0000	6.0000	8.5600	48.2280	3.3506	6.6097	2.4596	60.6479
2003	15.6303	-	18.0000	5.0000	8.5600	47.1903	3.5000	6.5719	2.4375	59.6997

**CITY OF GLADSTONE, MICHIGAN**  
**SCHEDULE OF ANNUAL TAX RATES (PER \$1,000 VALUATION)**  
**(UNAUDITED) - continued**  
**For the Year Ended March 31, 2021**

Year	City Tax	School *	Schools			Total Local Taxes	Community College	County Taxes	I.S.D.	Total
			Non- Homestead	State	Debt					
2004	15.6303	-	18.0000	6.0000	8.5600	48.1903	3.5000	6.5455	2.4191	60.6549
2005	15.5021	-	18.0000	6.0000	8.5600	48.0621	3.5501	7.1107	2.3994	61.1223
2006	15.5021	-	18.0000	6.0000	8.5600	48.0621	3.5501	7.1107	2.3994	61.1223
2007	15.5021	-	18.0000	6.0000	8.5600	48.0621	3.5225	7.5897	2.3854	61.5597
2008	15.5021	-	18.0000	6.0000	8.5600	48.0621	3.5149	7.5897	2.3851	61.5518
2009	15.5021	-	18.0000	6.0000	8.5600	48.0621	3.5109	7.4397	2.3851	61.3978
2010	15.5021	-	18.0000	6.0000	8.5600	48.0621	3.5111	7.4317	2.3851	61.3900
2011	15.5021	-	17.5669	6.0000	7.0000	46.0690	3.3076	7.6317	2.3851	59.3934
2012	13.6785	-	17.5669	6.0000	6.6500	43.8954	3.3076	7.6317	2.3851	57.2198
2013	13.6785	-	18.0000	6.0000	6.6500	44.3285	3.3076	7.4317	2.3851	57.4529
2014	15.5021	-	18.0000	6.0000	6.5900	46.0921	3.3076	7.4317	2.3851	59.2165
2015	15.5021	-	18.0000	6.0000	6.5900	46.0921	3.3076	7.3317	2.3851	59.1165
2016	13.6785	-	18.0000	6.0000	6.3000	43.9785	3.3076	7.6317	2.3851	57.3029
2017	15.4897	-	18.0000	6.0000	6.2000	45.6897	3.3076	8.1667	2.3851	59.5491
2018	15.4897	-	18.0000	6.0000	6.2000	45.6897	3.3076	8.7167	2.3851	60.0991
2019	15.4773	-	18.0000	6.0000	6.2000	45.6773	3.3076	8.7167	2.3851	60.0867
2020	15.4773	-	18.0000	6.0000	6.2000	45.6773	3.3076	8.7167	2.3851	60.0867

\* From 1961 to 1993, the school millage was applied to all properties and included the debt millage.



**ANDERSON, TACKMAN & COMPANY, PLC**  
Certified Public Accountants

Kristine P. Berhow, CPA, Principal  
Brandy M. Olson, CPA, Principal  
Kathleen A. Ciantar, CPA, Principal

---

*"A Regional Firm Within the Upper Peninsula of Michigan"*

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

To the Mayor, Members of the  
City Commission, and Management  
City of Gladstone, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gladstone, Michigan, as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Gladstone's basic financial statements and have issued our report thereon dated September 27, 2021. We were not engaged to audit the financial statements of the Gladstone Housing Commission (a discretely presented component unit), as described in our report on the City of Gladstone's financial statements.

**Internal Control over Financial Reporting**

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

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

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



**2021-001 Deficiency:** Material audit adjustments were required to properly classify and record activity. This is a repeat deficiency.

**Criteria:** The City is required to have internal controls in place to properly record, process and report accounting data.

**Condition:** Audit adjustments were required to properly classify and record activity to present the financial statements in accordance with generally accepted accounting principles.

**Cause:** This condition was caused by the City's decision to rely on the external auditor to recommend journal entries at year-end due to a relatively small staff and by the City staff not reconciling activity recorded in the general ledger.

**Effect:** The City lacks internal controls over recording and reporting certain accounting data resulting in the financial statements not being presented in accordance with generally accepted accounting principles.

**Recommendation:** The City should record all journal entries necessary to materially record all financial activity prior to final trial balances being produced to be used for preparation of the year-end financial statements. Also, the City should reconcile activity throughout the year to ensure the year-end trial balances are correct.

**Management Response:** Staff has made improvements in the past few years. We will continue to make every effort to properly accrue all revenue and expenditures and to properly classify activity.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Gladstone's Response to Findings**

City of Gladstone's response to the findings identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Escanaba, Michigan

September 27, 2021