



FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
FISCAL YEAR END JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Beaverton
Beaverton, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Beaverton, state of Michigan, as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise the City of Beaverton' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Beaverton, as of June 30, 2022 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Beaverton' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Beaverton's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Beaverton's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, on pages 3–9 and 43–46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beaverton' basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards , are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2022 on our consideration of City of Beaverton'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 City of Beaverton'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 City of Beaverton's internal control over financial reporting and compliance.

Quast, Janke and Company



Bay City, Michigan
November 4, 2022

City of Beaverton

Management's Discussion and Analysis

June 30, 2022

As management of the City of Beaverton, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

CONCEPTUAL INFORMATION ABOUT THE CITY'S FINANCIAL STATEMENTS

Overview of the Financial Statements

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

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

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

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health and welfare, community and economic development and recreation and culture. The business-type activities of the City include the Hydroelectric, Sewer and Water operations.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains six individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and the Major Streets Special Revenue Fund, both of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for its General and Special Revenue Funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

City of Beaverton

Management's Discussion and Analysis

June 30, 2022

The basic governmental fund financial statements can be found on pages 12-15 of this report.

Proprietary funds - The City maintains two different types of proprietary funds: enterprise funds and an internal service fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Hydroelectric, Sewer, Water, and Rubbish operations. An internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its Equipment Revolving (equipment maintenance and replacement) activities. Because these services predominately benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Hydroelectric, Sewer, Water, and Rubbish funds, each of which is considered to be a major fund. The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary fund - The City maintains a Tax Collection Agency Fund (the "Current Tax Fund"). The Current Tax Fund is an Agency Fund and is used to account for resources held by the City in a purely custodial capacity. Activity in this fund represents deposits from current tax and special assessment collections and payments to taxing agencies. At year-end, the Current Tax Fund had no assets or liabilities and is therefore, excluded from presentation in the basic financial statements. Activity of the Current Tax Fund is excluded from the government-wide financial statements.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-43 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. This includes the combining and individual fund financial statements and schedules. The supplementary information can be found on pages 48-64 of this report.

City of Beaverton

Management's Discussion and Analysis

June 30, 2022

FINANCIAL HIGHLIGHTS

The City's combined net position increased \$1,422,675 over the course of the fiscal year to a total of \$7,218,739. The following tables present an analysis of the City's net position. Net position of governmental activities increased \$901,072 or 34% due mainly to a combination of grants and contributions and the change in unavailable revenue and financial results in the City's governmental funds. Business-type activities decreased \$521,603 or 16% due mainly to results of operations of Enterprise Funds, including depreciation on capital assets and issuance of long-term debt.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The following analysis shows the City's total net position at June 30, 2022 and 2021.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current and other assets	\$ 1,563,588	\$ 780,670	\$ 1,000,842	\$ 511,733	\$ 2,564,430	\$ 1,292,403
Capital assets net of accumulated depreciation	3,552,034	2,718,354	8,247,710	6,725,669	11,799,744	9,444,023
Total Assets	<u>5,115,622</u>	<u>3,499,024</u>	<u>9,248,552</u>	<u>7,237,402</u>	<u>14,364,174</u>	<u>10,736,426</u>
LIABILITIES						
Current liabilities	383,437	199,321	909,242	58,567	1,292,679	257,888
Long-term liabilities	1,214,438	166,416	4,638,321	4,775,000	5,852,759	4,941,416
Total Liabilities	<u>1,597,875</u>	<u>365,737</u>	<u>5,547,563</u>	<u>4,833,567</u>	<u>7,145,438</u>	<u>5,199,304</u>
NET POSITION						
Net investment in capital assets	2,382,789	2,597,732	3,812,280	1,967,469	6,195,069	4,565,201
Restricted	617,745	560,766	217,947	76,154	835,692	636,920
Unrestricted	<u>517,213</u>	<u>(25,211)</u>	<u>(329,238)</u>	<u>323,906</u>	<u>187,975</u>	<u>298,695</u>
Total Net Position	<u>\$ 3,517,747</u>	<u>\$ 3,133,287</u>	<u>\$ 3,700,989</u>	<u>\$ 2,367,529</u>	<u>\$ 7,218,736</u>	<u>\$ 5,500,816</u>

The largest portion of the City's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Total unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements is \$187,975.

City of Beaverton

Management's Discussion and Analysis

June 30, 2022

The following analysis provides the changes in the net position for the City's governmental and business-type activities:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program Revenues						
Charges for services	\$ 200,843	\$ 144,953	\$ 980,542	\$ 871,684	\$ 1,181,385	\$ 1,016,637
Operating grants and contributions	1,714,296	2,890,672	617,665	434,390	2,331,961	3,325,062
Capital grants and contributions	-	-	-	-	-	-
General Revenues						
Property taxes	452,163	405,782	-	-	452,163	405,782
State revenue sharing	162,990	143,143	-	-	162,990	143,143
Interest income	81	2,392	-	36	81	2,428
Other revenue	81,183	135,451	-	-	81,183	135,451
Total Revenues	<u>2,611,556</u>	<u>3,722,393</u>	<u>1,598,207</u>	<u>1,306,110</u>	<u>4,209,763</u>	<u>5,028,503</u>
Program Expenses						
General government	340,675	316,572	-	-	340,675	316,572
Public safety	436,762	416,234	-	-	436,762	416,234
Public works	557,612	378,732	-	-	557,612	378,732
Health and welfare	-	-	-	-	-	-
Community and economic development	125,231	62,059	-	-	125,231	62,059
Recreation and culture	66,540	52,316	-	-	66,540	52,316
Interest on long-term debt	4,992	6,910	-	-	4,992	6,910
Hydroelectric	-	-	394,698	240,296	394,698	240,296
Sewer	-	-	428,317	940,915	428,317	940,915
Water	-	-	332,734	368,135	332,734	368,135
Rubbish	-	-	69,772	-	69,772	-
Building authority	-	-	29,755	18,255	-	18,255
Total Expenses	<u>1,531,812</u>	<u>1,232,823</u>	<u>1,255,276</u>	<u>1,567,601</u>	<u>2,687,561</u>	<u>2,782,169</u>
Changes in Net Position before transfers	1,079,744	2,489,570	342,931	(261,491)	1,422,675	2,228,079
Transfers	<u>(178,672)</u>	<u>(18,352)</u>	<u>178,672</u>	<u>18,352</u>	<u>-</u>	<u>-</u>
Changes in Net Position	<u>901,072</u>	<u>2,471,218</u>	<u>521,603</u>	<u>(243,139)</u>	<u>1,422,675</u>	<u>2,228,079</u>
Net Position - Beginning	2,616,675	662,069	3,179,386	2,610,668	5,796,061	3,272,737
Net Position - Ending	<u>\$ 3,517,747</u>	<u>\$ 3,133,287</u>	<u>\$ 3,700,989</u>	<u>\$ 2,367,529</u>	<u>\$ 7,218,736</u>	<u>\$ 5,500,816</u>

Charges for services revenue in the Governmental Activities increased in the current year due mainly to charges to the local school district for placement of a school resource officer. General revenues in the Governmental Activities increased in the current year due mainly to non-recurring proceeds from an insurance claim for damage sustained to one of the City's buildings in the prior year. Charges for services revenue in the Business-type Activities increased to several utility rate increases that were imposed on customers during the year. The final utility rate increase will commence July 1, 2022. Overall, City-wide expenses increased due to non-recurring costs for contracted services related to accounting and financial reporting services, utility rate studies and other non-recurring project costs.

City of Beaverton

Management's Discussion and Analysis

June 30, 2022

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

The General Fund is the chief operating fund of the City. At the end of the current year, the unassigned fund balance of the General Fund was \$581,697. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 55% of total General Fund expenditures. In addition, the fund balance of the City's General Fund decreased by \$118,500, which is mainly due to increased non-recurring capital outlay costs and transfers to other funds.

The Major Streets Fund experienced an increase in fund balance of \$49,740 as result of increased revenue from gas and weight taxes and property taxes, coupled with recognition of deferred revenues.

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

The Hydroelectric Fund experienced a modest 11% increase in net position as a result of normal operating and nonoperating activity and continues to report a deficit in unrestricted net position.

The Sewer Fund experienced an approximate 29% decrease in net position. This results from the combination of issuance of new debt, a modest increase in revenue coupled with increased costs for wages and nonrecurring contracted service costs related to accounting and financial reporting services, utility rate studies and other non-recurring project costs.

The Rubbish Fund experienced an approximate 2% decrease in net position. This results from the combination of a modest increase in revenue coupled with nonrecurring transfers out related to accounting and financial reporting services, utility rate studies and other nonrecurring project costs.

The Water Fund experienced an approximate 1% decrease in net position. This results from the combination of a modest increase in revenue coupled with and similar increase in contract costs. The 4th water/sewer rate increase commenced on July 1, 2021 and the 5th and final rate increase will begin on July 1, 2022.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund ended the fiscal year with a decrease to fund balance of \$118,500. The original budget projected an increase of \$6,507 and the final amended budget projected an increase of \$10,625. Actual revenues and other financing resources were \$27,909 less than the final amended budget and actual expenditures and other financing uses were \$157,034 more than the final amended budget. The City continues to make incremental budgeting improvements to stabilize the operation and to address capital replacement needs. The City intends to be more consistent with month-end adjustments vs end of fiscal-year adjustments. The City has begun the process of quarterly budget amendments approved by City Council to ensure the budget stays on track.

CAPITAL ASSETS

At year-end, the primary government reported capital assets of \$11,799,744 (net of accumulated depreciation) in a broad range of capital assets, including police equipment, public works equipment, buildings, park facilities and infrastructure (roads, dam facilities, and water and sewer systems). This amounts to a net overall increase of \$2,355,721 compared to the previous year, due mainly to net capital asset additions being in excess of depreciation expense. During the year, the City finished the construction projects in water, sewer and street funds. During the year the City also began the Industrial Park and DPW/Police construction projects. Additional information regarding the City's capital assets can be found in the notes to the financial statements.

City of Beaverton

Management's Discussion and Analysis

June 30, 2022

LONG-TERM DEBT

The City issued \$228,394 and \$146,000 in debt in the Water and Sewer Funds, respectively, for reconstruction projects. The City drew \$1,081,000 of the \$1,600,000 available debt to construct the new DPW/Police building. The City made normal scheduled debt service payments on its outstanding installment purchase agreements in Governmental Activities and revenue bonds in Business-type Activities. Further information on the City's long-term debt can be found in the notes to the financial statements.

ECONOMIC CONDITIONS AND OUTLOOK

Hydroelectric Dam:

In FY 2020, rain started on May 14th and ended on May 20th. Beaverton received approximately 5 inches of rainfall. The Hydro-electric dam maintained consistent and proper lake levels per their FERC licensing limits. However, the dam sustained damage to the seawall and security fencing. The seawall also assists with erosion, so the structure also sustained washout of the supporting rip-wrap and soil. FEMA has assessed the current damages at over a million dollars. The City is in the process of repairing it's hydroelectric turbine due to damage from the flood with complete repair costs being covered under FEMA insurance claim including \$100,000 payment for lost revenue.

Building Projects:

The City is currently finalizing the Department of Public Works/Police Building project which replaces the old Public Works Building that was damaged in a fire in October 2018. Final payment on the Department of Public Works/Police Building will be made by end of 2022.

Industrial Park Project:

The project includes the construction of a Water Iron Removal Treatment Plant. Which is currently being constructed. The City expects the project to be completed by December 22, 2022.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kimberly Hines, the City Manager, at P.O. Box 477, Beaverton, Michigan 48612-0477, call (989) 435-3511, or email at khines@beavertonmi.org.

City of Beaverton

Statement of Net Position

June 30, 2022

	Primary Government			Discrete Component Units
	Governmental Activities	Business -Type Units	Total	
Assets:				
Cash and cash equivalents	\$ 1,591,921	\$ 115,311	\$ 1,707,232	\$ 74,498
Receivables	95,556	478,405	573,961	-
Internal balances	(137,364)	174,679	37,315	(37,315)
Restricted assets				-
Cash and cash equivalents	-	217,947	217,947	-
Investments	13,475	14,500	27,975	-
Assets held for sale	-			
Capital assets:				
Assets not being depreciated	2,368,800	102,715	2,471,515	7,000
Assets being depreciated, net	1,183,234	8,144,995	9,328,229	348,112
Total assets	5,115,622	9,248,552	14,364,174	392,295
Liabilities:				
Accounts payable	383,437	909,242	1,292,679	752
Unearned revenue	-	-	-	20,000
Noncurrent liabilities:				
Accrued compensated absences	45,193	21,320	66,513	3,361
Installment purchase agreements and bonds				
Due within one year	60,907	152,000	212,907	6,215
Due in more than one year	1,108,338	4,465,001	5,573,339	252,062
Total liabilities	1,597,875	5,547,563	7,145,438	282,390
Net position:				
Investment in cap. assets net of debt	2,382,789	3,812,280	6,195,069	96,835
Restricted	617,745	217,947	835,692	-
Unrestricted	517,213	(329,238)	187,975	13,070
Total net position	\$ 3,517,747	\$ 3,700,989	\$ 7,218,736	\$ 109,905

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

City of Beaverton

Statement of Activities For the Year Ended June 30, 2022

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants/Contributions	Governmental Activities	Business-Type Activities	Total	
Primary government							
Governmental activities:							
General government	\$ 340,675	\$ 35,241	\$ 123,901	\$ (181,533)	\$ -	\$ (181,533)	\$ -
Public safety	436,762	71,623	58,902	(306,237)	-	(306,237)	-
Public works	557,612	24,567	1,531,493	998,448	-	998,448	-
Health and welfare	-	-	-	-	-	-	-
Community and economic development	125,231	-	-	(125,231)	-	-	-
Recreational and cultural	66,540	69,412	-	2,872	-	2,872	-
Interest on debt	4,992	-	-	(4,992)	-	(4,992)	-
Total Governmental Activities	1,531,812	200,843	1,714,296	383,327	-	383,327	-
Business-type activities:							
Hydroelectric	394,698	181,277	251,343	-	37,922	37,922	-
Sewer	428,317	333,161	363,988	-	268,832	268,832	-
Water	332,734	401,672	2,334	-	71,272	71,272	-
Rubbish	69,772	64,432	-	-	(5,340)	(5,340)	-
Building authority	29,755	-	-	-	(29,755)	(29,755)	-
Total Business-Type Activities	1,255,276	980,542	617,665	-	342,931	342,931	-
Total Primary Government	\$ 2,787,088	\$ 1,181,385	\$ 2,331,961	383,327	342,931	726,258	-
Component unit							
Downtown development authority	137,873	-	60,069				(77,804)
Total component units	137,873	-	60,069				(77,804)
General purpose revenues:							
Property taxes				452,163	-	452,163	69,489
Grants and contributions not restricted to specific programs				162,990	-	162,990	-
Unrestricted investment income				81	-	81	-
Other miscellaneous revenues				81,183	-	81,183	-
Transfers				(178,672)	178,672	-	-
Total General Purpose Revenues and Transfers				517,745	178,672	696,417	69,489
Change in Net Position				901,072	521,603	1,422,675	(8,315)
Net Position - Beginning of Year				3,155,770	2,347,892	5,503,662	118,220
Prior Period Adjustment				(539,095)	831,494	292,399	-
Net Position - Beginning of Year				2,616,675	3,179,386	5,796,061	118,220
Net Position - End of Year				\$ 3,517,747	\$ 3,700,989	\$ 7,218,736	\$ 109,905

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

City of Beaverton

Balance Sheet Governmental Funds June 30, 2022

	Major Funds					Nonmajor Governmental	Total
	General	Major Streets	Local Streets	Capital Projects Industrial Park	Capital Projects DPW/Police	Campground	
Assets							
Cash and cash equivalents	\$ 889,477	\$ 131,931	\$ 179,628	\$ 39,055	\$ 332,405	\$ 19,425	\$ 1,591,921
Investments	13,475	-	-	-	-	-	13,475
Accounts receivable	69,964	-	-	-	-	-	69,964
Taxes receivable	-	-	-	-	-	-	-
Due from other governmental units	-	19,088	6,504	-	-	-	25,592
Due from other funds	95,827	128,880	-	-	-	89,845	314,552
Due from component unit	26,840	-	-	-	-	-	26,840
Assets held for sale	-	-	-	-	-	-	-
Total assets	\$ 1,095,583	\$ 279,899	\$ 186,132	\$ 39,055	\$ 332,405	\$ 109,270	\$ 2,042,344
Liabilities							
Accounts payable	\$ 15,931	\$ 785	\$ 70	\$ -	\$ 326,849	\$ 21	\$ 343,656
Accrued liabilities	27,851	681	610	-	-	-	29,142
Due to other governmental units	9,952	-	-	-	-	-	9,952
Due to other funds	460,152	-	-	-	-	-	460,152
Unearned revenue	-	-	-	-	-	-	-
TOTAL LIABILITIES	513,886	1,466	680	-	326,849	21	842,902
Fund balances							
Nonspendable	-	-	-	-	-	-	-
Restricted for streets	-	278,433	185,452	-	-	-	463,885
Restricted for capital projects	-	-	-	39,055	5,556	-	44,611
Restricted for campground	-	-	-	-	-	109,249	109,249
Unassigned (deficit)	-	-	-	-	-	-	-
General fund	581,697	-	-	-	-	-	581,697
Total Fund Balances	581,697	278,433	185,452	39,055	5,556	109,249	1,199,442
Total liabilities and fund balances	\$ 1,095,583	\$ 279,899	\$ 186,132	\$ 39,055	\$ 332,405	\$ 109,270	\$ 2,042,344

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

City of Beaverton

Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities

June 30, 2022

Fund balances - total governmental funds	\$ 1,199,442
Amounts reported for governmental activities in the Statement of Net Position are different because -	
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Governmental Funds	
Capital assets not being depreciated	2,368,800
Capital assets being depreciated, net	1,183,234
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds	
Compensated absences	(45,193)
Installment purchase agreements	(1,169,245)
An internal service fund is used by management to charge the cost of equipment use to individual funds. The assets and liabilities of the internal service fund are included in the Governmental Activities in the Statement of Net Position	
Interfund balances related to the internal service fund	19,972
Net position of internal service fund	<u>(39,263)</u>
Net position of governmental activities	<u>\$ 3,517,747</u>

City of Beaverton

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2022

	Major Funds					Nonmajor Governmental	Total
	General	Major Streets	Local Streets	Capital Projects Industrial Park	Capital Projects DPW/Police	Campground	
Revenues:							
Property taxes	\$ 414,973	\$ -	\$ 37,190	\$ -	\$ -	\$ -	\$ 452,163
Federal sources	182,803	32,557	-	451,905	-	-	667,265
State sources	265,603	207,449	47,576	373,194	-	-	893,822
Charges for services	139,199	-	-	-	-	61,644	200,843
Fines and forfeitures	12,306	-	-	-	-	-	12,306
Licenses and permits	6,565	-	-	-	-	-	6,565
Interest earned on deposits	81	-	-	-	-	-	81
Rent	8,672	-	-	-	-	-	8,672
Miscellaneous	83,639	-	-	286,200	-	-	369,839
Total Revenues	<u>1,113,841</u>	<u>240,006</u>	<u>84,766</u>	<u>1,111,299</u>	<u>-</u>	<u>61,644</u>	<u>2,611,556</u>
Expenditures							
General government	354,433	-	-	14	5	-	354,452
Public safety	427,940	-	-	-	-	-	427,940
Public works	111,547	194,252	230,945	1,072,230	1,075,439	-	2,684,413
Health and welfare	-	-	-	-	-	-	-
Community and economic development	125,241	-	-	-	-	-	125,241
Recreation and culture	10,802	-	-	-	-	45,088	55,890
Capital outlay	-	-	-	-	-	-	-
Debt service - principal	32,285	-	-	-	-	-	32,285
Debt service - interest	5,084	-	-	-	-	-	5,084
Total Expenditures	<u>1,067,332</u>	<u>194,252</u>	<u>230,945</u>	<u>1,072,244</u>	<u>1,075,444</u>	<u>45,088</u>	<u>3,685,305</u>
Excess of revenues over (under) expenditures	46,509	45,754	(146,179)	39,055	(1,075,444)	16,556	(1,073,749)
Other financing sources (uses):							
Bond proceeds	-	-	-	-	1,081,000	-	1,081,000
Transfer from other funds	127,635	3,986	308	-	-	-	131,929
Transfer to other funds	(292,644)	-	(750)	-	-	(6,000)	(299,394)
Total other financing sources (uses):	<u>(165,009)</u>	<u>3,986</u>	<u>(442)</u>	<u>-</u>	<u>1,081,000</u>	<u>(6,000)</u>	<u>913,535</u>
Net changes in fund balances	(118,500)	49,740	(146,621)	39,055	5,556	10,556	(160,214)
Fund balances (deficits) - beginning of year	8,880	228,693	332,073	-	-	98,693	668,339
Prior period adjustment	691,317	-	-	-	-	-	691,317
Fund balances (deficits) - beg. Restated	700,197	228,693	332,073	-	-	98,693	1,359,656
Fund balances (deficits) - end of year	<u>\$ 581,697</u>	<u>\$ 278,433</u>	<u>\$ 185,452</u>	<u>\$ 39,055</u>	<u>\$ 5,556</u>	<u>\$ 109,249</u>	<u>\$ 1,199,442</u>

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

City of Beaverton

Reconciliation of Net Changes in Fund Balances of the Governmental Funds to Change in Net Position of Governmental Activities

For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds	\$ (160,214)
Amounts reported for Governmental Activities in the Statement of Activities are different because -	
Governmental funds report capital outlays as expenditures while in the Statement of Activities, these costs are allocated over their estimated lives as depreciation expense.	
Capital outlay	2,154,645
Asset disposals net of depreciation	-
Depreciation expense	(54,418)
Governmental funds report the proceeds of debt as a financial resource in the fund financial statements. The repayment of debt is an outlay of current fund resources. Neither transaction has any effect on net position in the government wide statements.	
Bond proceeds	(1,081,000)
Increase in accrued interest	-
Principal payments	32,375
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in fund statements.	
Change in compensated absences	303
An internal service fund is used by management to charge the net costs of equipment use to individual funds. The net cost of the internal service fund is reported in the governmental activities.	
Net operating income from internal service funds.	(45,527)
Net operating income from governmental internal service funds allocated to business-type activities.	54,908
Change in net position of governmental activities	<u>\$ 901,072</u>

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

City of Beaverton

Statement of Net Position Proprietary Funds June 30, 2022

<u>Assets</u>	Major Enterprise Funds					Total	Internal Service Fund Equipment
	Hydroelectric Fund	Sewer Fund	Water Fund	Rubbish Fund	Building Authority Fund		Total
Current assets:							
Cash and cash equivalents	\$ 17,119	\$ -	\$ 98,192	\$ -	\$ -	\$ 115,311	\$ -
Accounts receivable	350,000	52,842	65,080	10,483	-	478,405	-
Special assessment receivable	-	-	-	-	-	-	-
Due from other funds	145,441	101,161	113,938	-	5,300	365,840	-
Total Current Assets	512,560	154,003	277,210	10,483	5,300	959,556	-
Noncurrent Assets:							
Investments	-	14,500	-	-	-	14,500	-
Restricted assets:							
USDA repair, replacement & improvement (RRI)	-	-	112,551	-	-	112,551	-
USDA bond reserve	20,251	16,125	69,020	-	-	105,396	-
Capital Assets:							
Nondepreciable capital assets	-	102,115	600	-	-	102,715	-
Depreciable capital assets, net	1,295,249	3,701,489	2,561,612	-	586,645	8,144,995	75,506
Total Noncurrent Assets	1,315,500	3,834,229	2,743,783	-	586,645	8,480,157	75,506
Total Assets	1,828,060	3,988,232	3,020,993	10,483	591,945	9,439,713	75,506
Liabilities							
Current Liabilities:							
Checks issued in excess of pooled cash	-	51,699	-	701,286	128	753,113	39,261
Accounts payable	104,935	1,725	8,218	5,705	-	120,583	380
Accrued liabilities	675	1,765	2,145	20	-	4,605	307
Accrued interest	7,943	11,538	6,294	-	5,166	30,941	-
Due to other funds	68,200	45,738	22,315	-	-	136,253	73,512
Current portion of long-term debt:							
Accrued compensated absences	2,573	8,766	9,852	129	-	21,320	1,309
Revenue bonds	35,000	74,000	31,000	-	12,000	152,000	-
Total Current Liabilities	219,326	195,231	79,824	707,140	17,294	1,218,815	114,769
Noncurrent Liabilities:							
Revenue bonds/note payable	1,169,000	1,352,000	1,435,001	-	509,000	4,465,001	-
Total Liabilities	1,388,326	1,547,231	1,514,825	707,140	526,294	5,683,816	114,769
Net position							
Invested in capital assets net of related debt	91,249	2,377,604	1,277,782	-	65,645	3,812,280	75,506
Restricted for debt	20,251	16,125	181,571	-	-	217,947	-
Unrestricted	328,234	47,272	46,815	(696,657)	6	(274,330)	(114,769)
Total Net Position	\$ 439,734	\$ 2,441,001	\$ 1,506,168	\$ (696,657)	\$ 65,651	3,755,897	\$ (39,263)
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund						(54,908)	
Net position of business-type activities on the government-wide statement of net position						\$ 3,700,989	

City of Beaverton

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended June 30, 2022

	Major Enterprise Funds					Total	Internal
	Hydroelectric Fund	Sewer Fund	Water Fund	Rubbish Fund	Building Authority Fund		Service Fund Equipment
Operating revenues							
Charges for services	\$ 181,277	\$ 333,161	\$ 401,672	\$ 64,432	\$ -	\$ 916,110	\$ 62,632
Operating expenses:							
Salaries	30,004	86,861	103,625	1,276	-	221,766	11,689
Payroll taxes	2,488	7,006	8,264	95	-	17,853	901
Employee benefits	9,245	24,428	26,730	592	-	60,995	3,734
Supplies	588	4,115	5,909	-	-	10,612	26,229
Postage	-	3,111	3,996	-	-	7,107	-
Telephone	4,263	5,455	6,041	-	-	15,759	-
Utilities	7,597	35,113	12,634	-	-	55,344	-
Repairs and maintenance	6,387	18,538	8,293	-	-	33,218	24,152
Contracted services	197,699	53,957	12,881	67,788	-	332,325	1,567
Equipment rental	428	21,682	3,491	-	-	25,601	-
Miscellaneous	6,331	3,917	8,795	21	-	19,064	-
Depreciation	80,651	112,718	84,474	-	15,238	293,081	29,152
Total Operating Expenses	<u>345,681</u>	<u>376,901</u>	<u>285,133</u>	<u>69,772</u>	<u>15,238</u>	<u>1,092,725</u>	<u>97,424</u>
Operating Income (loss)	(164,404)	(43,740)	116,539	(5,340)	(15,238)	(176,615)	(34,792)
Nonoperating revenues (expenses)							
Interest earned on deposits	-	-	-	-	-	-	-
Interest expense	(48,682)	(34,451)	(44,869)	-	(14,517)	(142,519)	-
Other revenue	251,343	363,988	2,334	-	-	617,665	468
Other expenses	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>202,661</u>	<u>329,537</u>	<u>(42,535)</u>	<u>-</u>	<u>(14,517)</u>	<u>475,146</u>	<u>468</u>
Income Before Transfers	<u>38,257</u>	<u>285,797</u>	<u>74,004</u>	<u>(5,340)</u>	<u>(29,755)</u>	<u>298,531</u>	<u>(34,324)</u>
Other financing sources (uses):							
Transfers in	5,934	342,281	68,540	-	5,300	422,055	-
Transfers out	-	(72,125)	(171,258)	-	-	(243,383)	(11,204)
Total other financing sources (uses):	<u>5,934</u>	<u>270,156</u>	<u>(102,718)</u>	<u>-</u>	<u>5,300</u>	<u>178,672</u>	<u>(11,204)</u>
Change in net position	44,191	555,953	(28,714)	(5,340)	(24,455)	541,635	(45,528)
Net position, beginning of year	<u>395,543</u>	<u>362,237</u>	<u>1,534,882</u>	<u>-</u>	<u>90,106</u>	<u>2,382,768</u>	<u>6,265</u>
Prior period adjustment	-	1,522,811	-	(691,317)	-	831,494	-
Net position, beginning of year restated	<u>395,543</u>	<u>1,885,048</u>	<u>1,534,882</u>	<u>(691,317)</u>	<u>90,106</u>	<u>3,214,262</u>	<u>6,265</u>
Net position, end of year	<u>\$ 439,734</u>	<u>\$ 2,441,001</u>	<u>\$ 1,506,168</u>	<u>\$ (696,657)</u>	<u>\$ 65,651</u>	<u>\$ 3,755,897</u>	<u>\$ (39,263)</u>
Adjustments to reflect the consolidation of internal service fund activities related to the enterprise funds						(54,908)	
Change in net position of business-type activities						<u>\$ 3,700,989</u>	

City of Beaverton

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2022

	Major Enterprise Funds					Total	Internal
	Hydroelectric Fund	Sewer Fund	Water Fund	Rubbish Fund	Building Authority Fund		Service Fund Equipment
Cash flows from operating activities							
Cash received from customers	\$ (168,723)	\$ 336,691	\$ 406,975	\$ 65,553	\$ -	\$ 640,496	\$ -
Other operating cash receipts	-	-	-	-	-	-	62,632
Cash effects of interfund balances	-	10,882	(114,642)	(1,751)	-	(103,760)	1,462
Cash payments to suppliers for goods and services	(121,301)	(149,194)	(61,726)	(67,132)	-	(399,353)	(54,313)
Cash payments to employees for services and fringes	(44,828)	(124,898)	(145,189)	(1,991)	-	(316,906)	(16,762)
Net cash provided (used) by operating activities	(334,852)	73,481	85,418	(5,321)	-	(179,523)	(6,981)
Cash flows from noncapital and related financing activities							
Transfer to/from other funds	5,934	270,156	(102,718)	-	5,300	178,672	(11,204)
Miscellaneous revenues/receipts	251,343	363,988	2,334	-	-	617,665	468
Uses/funding of bond restricted cash	-	-	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	257,277	634,144	(100,384)	-	5,300	796,337	(10,736)
Cash flows from capital and related financing activities							
Acquisition of capital assets	-	(437,475)	(145,394)	-	-	(582,869)	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Proceeds from issuance of long-term debt	-	146,000	228,394	-	-	-	-
Debt payments							
Interest paid on bonds	(48,887)	(36,783)	(48,228)	-	(14,635)	(148,533)	-
Principal payments on bonds	(34,000)	(80,000)	(115,000)	-	(11,000)	(240,000)	-
Net cash provided (used) by capital and related financing activities	(82,887)	(408,258)	(80,228)	-	(25,635)	(597,008)	-
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest on investments	-	-	-	-	-	-	-
Net increase (decrease) in cash	(160,462)	299,367	(95,194)	(5,321)	(20,335)	19,806	(17,717)
Cash/ Restricted Cash beginning of year	197,832	(320,441)	374,957	(695,965)	25,507	277,855	(21,544)
Cash/Restricted Cash end of year	<u>\$ 37,370</u>	<u>\$ (21,074)</u>	<u>\$ 279,763</u>	<u>\$ (701,286)</u>	<u>\$ 5,172</u>	<u>\$ 297,661</u>	<u>\$ (39,261)</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:							
Income (loss) from operations	\$ (164,404)	\$ (43,740)	\$ 116,539	\$ (5,340)	\$ (15,238)	\$ (112,183)	\$ (34,792)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:							
Depreciation	80,651	112,718	84,474	-	15,238	293,081	29,152
Change in assets and liabilities:							
(Increase) decrease in accounts receivable	(350,000)	3,530	5,303	1,121	-	(340,046)	-
(Increase) decrease in due from other funds	-	3,121	(7,185)	1,791	-	-	-
Increase (decrease) in accounts payable	101,992	(3,306)	314	677	-	99,677	(2,365)
Increase (decrease) in accrued expenses	(68)	(557)	(524)	(157)	-	(1,306)	(140)
Increase (decrease) in due to other funds	-	7,761	(107,457)	(3,542)	-	-	1,462
Increase (decrease) in compensated absences	(3,023)	(6,046)	(6,046)	129	-	(14,986)	(298)
Net Cash Provided (Used) in Operating Activities	<u>\$ (334,852)</u>	<u>\$ 73,481</u>	<u>\$ 85,418</u>	<u>\$ (5,321)</u>	<u>\$ -</u>	<u>\$ (75,763)</u>	<u>\$ (6,981)</u>

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

City of Beaverton

Notes to the Financial Statements

June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the *City of Beaverton*, (the "*City*") conform, in all material respects, to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). The following sections provide a summary of the City's more significant policies.

A: Description of Reporting Entity:

Reporting Entity

The City is organized under Michigan's Comprehensive Home Rule City Act. The Mayor and a seven-member City Council is the governing body elected by the community at large. The Council appoints a City Manager to administer the affairs of the City.

As required by U.S. GAAP, the financial statements of the reporting entity include those of the City and its component unit. The component unit discussed below is included in the City's reporting entity because it is an entity for which the City is considered to be financially accountable. The financial data of the component unit is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Unit

The *Downtown Development Authority* (the "*DDA*") was created to collect and prevent deterioration in the City's downtown district, encourage historical preservation and to promote economic growth within the downtown district. The DDA's governing body consists of the City's Mayor and between eight and twelve members selected by the City Council. In addition, the City is responsible for compliance with federal grants received in conjunction with the DDA's projects and the DDA's budget is approved by the City Council. In accordance with Statement of Michigan Governmental Accounting and Auditing No. 5, the DDA has been discretely presented in the City's financial statements. The DDA does not issue formal financial statements, except as otherwise contained in the City's annual financial statements. Additional information can be obtained by contacting the City Clerk.

City of Beaverton

Notes to the Financial Statements

June 30, 2022

Blended Component Unit

The Building Authority was created to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, stadiums and other necessary sites for use of the City. The Building Authority's governing body consists of the City's Mayor, the City Manager and one member of the City Council. In addition, the City is responsible for compliance with grants and loan proceeds received in conjunction with the Building Authority's projects and the Building Authority's budget is approved by the City Council. In accordance with applicable GASB standards, the Building Authority has been blended in the City's financial statements and is presented as an Enterprise Fund. The Building Authority does not issue formal financial statements, except as otherwise contained in the City's annual financial statements. Additional information can be obtained by contacting the City Clerk.

Related Organization

The City, in conjunction with Beaverton and Tobacco Townships, entered into an agreement to create the *Beaverton Area Fire Protection District* (the "BAFPD"). The BAFPD is a legally separate organization established to provide fire protection services to the three communities. The BAFPD is financed each year on a proportional basis for each participating unit based upon their respective state equalized valuation.

City of Beaverton

Notes to the Financial Statements

June 30, 2022

B: Basis of Presentation

Government-wide and Fund Financial Statements

The government-wide financial statements (*i.e. the Statement of Net Position and the Statement of Activities*) report information on all of the non-fiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

City of Beaverton

Notes to the Financial Statements

June 30, 2022

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for the Agency fund, which does not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as 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. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

Revenues are recognized in the accounting period in which they become susceptible to accrual- that is, when they become both measurable and available to finance expenditures of the fiscal period. Revenues susceptible to accrual include property taxes, state revenue sharing, and interest.

The City property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the City as of the preceding December 31st. The 2021 taxable valuation of the City totaled \$20,151,794, on which ad valorem taxes levied consisted of 13.7293 mills for City operating purpose, 2.0000 for roads and bridges, 2.0000 mills for public safety, 1.5000 for Fire. These amounts are recognized in the General Fund, Major Streets Fund, and Local Streets Fund as property taxes.

City of Beaverton

Notes to the Financial Statements

June 30, 2022

The City reports the following major *governmental funds*:

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

The *Major Streets Fund* accounts for the City's share of proceeds from gas and weight taxes levied by the State and distributed to local governmental units for major streets and roads. State law requires that these taxes be used for street maintenance and construction.

The *Local Streets Fund* accounts for the City's share of proceeds from gas and weight taxes levied by the State and distributed to local governmental units for local streets and roads. State law requires that these taxes be used for street maintenance and construction.

The Capital Projects Funds accounts for the receipt and disbursement of proceeds from bond issues or other revenues specifically designated for certain capital expenditures of the City. The City currently has two Capital Projects Funds - the *Industrial Park Fund* and *DPW/Police Building Fund*.

The City reports the following major *enterprise funds*:

The *Hydroelectric Fund* is used to account for the activities of the City's hydroelectric dam system.

The *Sewer Fund* is used to account for the activities of the City's sewer system.

The *Water Fund* is used to account for the activities of the City's water system.

The *Rubbish Fund* is used to account for the activities of the City's trash collection services.

Additionally, the City reports the following fund types:

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *internal service fund* accounts for equipment rental provided to other departments and funds of the City on a cost reimbursement basis.

City of Beaverton

Notes to the Financial Statements

June 30, 2022

The City also administers a Tax Collection Agency Fund (the "*Current Tax Fund*"). The Current Tax Fund is an Agency Fund and is used to account for resources held by the City in a purely custodial capacity. Activity in this fund represents deposits from current tax and special assessment collections and payments to other taxing agencies. At year-end, the Current Tax Fund had no assets or liabilities and is therefore, excluded from presentation in the basic financial statements. Activity of the Current Tax Fund is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

Restricted net position represents amounts that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

City of Beaverton
Notes to the Financial Statements
June 30, 2022

C: Assets, Liabilities, Deferred Inflows of Resources and Equity

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less when acquired.

Investments

State statutes authorize the City to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments. Investments are comprised solely of certificates of deposits and are reported at fair value (Level 1).

Restricted Cash and Cash Equivalents

The revenue bonds of the enterprise funds require amounts to be set aside for repairs, replacement and improvements (RRI) and for debt service. The amounts the City has deposited in separate accounts for these requirements are reported as restricted assets.

Receivables and Payables

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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

City of Beaverton

Notes to the Financial Statements

June 30, 2022

Capital Assets

Capital assets, which generally include property, infrastructure (such as water and sewer systems, roads and sidewalks), buildings vehicles and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (unless the asset is a computer or firearm 1) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Donated capital assets are recorded at estimated fair value at the date of donation.

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

As permitted by GASB Statement No. 34, the City has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to July 1, 2003.

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

<u>Asset Type</u>	<u>Years</u>
Buildings	40 to 60
Building improvements	15 to 30
Machinery and equipment	5 to 10
Public domain infrastructure	50 to 75

Unearned Revenue

Grant proceeds that were received prior to the City having met all of the eligibility requirements (reimbursement based) are reported as a liability in governmental funds and in the Statement of Net Position at year-end.

Compensated Absences

The City's policy allows employees to accumulate earned but unused paid time off benefits. Accumulated paid time off is accrued when incurred in the proprietary funds. A liability for these amounts is reported in governmental funds only if they mature, for example, as a result of employee resignations and retirements. The unpaid paid time off pay that is applicable to governmental fund types is reported in the Statement of Net Position.

City of Beaverton

Notes to the Financial Statements

June 30, 2022

Long-term Obligations

In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported inclusive of the applicable bond premium or net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service 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.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the City. Balances outstanding at year-end are reported as due to/from other funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Internal service funds are used to record charges for services to all City departments and funds as transfers or operating revenue. All City funds record these payments to the internal service funds as transfers or operating expenditures/expenses.

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

City of Beaverton

Notes to the Financial Statements

June 30, 2022

Note 2. Stewardship, Compliance, and Accountability:

Budgetary Information

The City is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to November 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The City Manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS:

During the year, the Township incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated as follows:

	Budget	Actual	Excess
General Fund			
General Gov't	\$ 345,894	\$ 354,433	\$ 8,539

Deficit Fund Equity

At year-end, the Rubbish Fund and the Equipment Internal Service Fund had deficits in unrestricted net position of \$574,612 and \$114,769, respectively. Public Act 275 of 1980 (MCL141.921) requires that the City file a deficit elimination plan to the Michigan Department of Treasury within 90 days after the end of the fiscal year due to the deficit positions.

City of Beaverton
Notes to the Financial Statements
June 30, 2022

Note 3. Deposits and Investments

Deposits and Investments

A reconciliation of cash and investments as shown in the financial statements to the City's deposits and investments is as follows:

	Carrying Amount
Government-wide Financial Statement Captions:	
Primary Government	
Cash and cash equivalents	\$ 1,707,232
Cash and cash equivalents restricted	217,947
Investment	27,975
Component Unit	
Cash and cash equivalents	74,498
 Total	 \$ 2,027,652
 Notes to Financial Statements:	
Cash on hand	\$ 100
Deposits (checking/savings accounts)	1,999,577
Certificates of deposit	27,975
 Total	 \$ 2,027,652

City of Beaverton

Notes to the Financial Statements

June 30, 2022

Deposit and Investment Risk

Interest Rate Risk

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City Council has designated two banks for the deposit of City funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit. The City's deposits and investment policy are in accordance with statutory authority.

Credit Risk

The City's investment policy does not have specific limits in excess of State law on investment credit risk. At year-end, the City had no investments and was therefore, not exposed to credit risk.

Custodial Credit Risk- Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. At year-end, \$911,570 of the City's bank balance of \$1,161,570 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Concentration of Credit Risk

State law limits allowable investments but does not limit concentration of credit risk. The City's investment policy does not have specific limits in excess of State law on concentration of credit risk. At year-end, the City had no investments and was therefore, not exposed to concentration of credit risk.

Due to the dollar amounts of cash deposits and the limits of FDIC insurance the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of Beaverton
Notes to the Financial Statements
June 30, 2022

Note 4. Receivables

At year end, the City's receivables were comprised of the following:

	Governmental Activities	Business-type Activities
Accounts	\$ 11,604	\$ 478,405
Taxes and special assessments	-	-
Intergovernmental	25,592	
 Total	\$ 37,196	\$ 478,405

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 221,131	-	-	221,131
Construction in Progress	674,346	2,147,669	(674,346)	2,147,669
Total	895,477	2,147,669	(674,346)	2,368,800
 Capital assets being depreciated				
Building and improvements	1,103,443	-	-	1,103,443
Furniture and equipment	1,298,861	-	-	1,298,861
Infrastructure	132,261	674,346	-	806,607
Total assets being depreciated	2,534,565	674,346	-	3,208,911
 Less accumulated depreciation				
Building and improvements	(768,430)	(14,312)	-	(782,742)
Furniture and equipment	(1,084,211)	(48,266)	-	(1,132,477)
Infrastructure	(89,461)	(20,992)	-	(110,453)
Total accumulated depreciation	(1,942,102)	(83,570)	-	(2,025,672)
 Net assets being depreciated	592,463	590,776	-	1,183,239
 Capital assets net of depreciation	\$ 1,487,940	\$ 2,738,445	\$ (674,346)	\$ 3,552,039

City of Beaverton

Notes to the Financial Statements

June 30, 2022

Governmental Activities

General government	\$ 4,507
Public safety	9,014
Public works	30,248
Culture and recreation	10,649
Capital assets held by the City's internal service funds are charged to various functions based on their usage.	29,152
Total governmental activities	\$ 83,570

Business-type Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 102,715	\$ -	\$ -	\$ 102,715
Construction in progress	2,348,631	-	(2,348,631)	-
Total	2,451,346	-	(2,348,631)	102,715
Capital assets being depreciated				
Buildings	609,502	-	-	609,502
Equipment	425,377	-	-	425,377
Infrastructure	9,944,440	2,931,500	-	12,875,940
Total	10,979,319	2,931,500	-	13,910,819
Less accumulated depreciation				
Buildings	(7,619)	(15,238)	-	(22,857)
Equipment	(411,388)	(3,203)	-	(414,591)
Infrastructure	(5,053,738)	(274,640)	-	(5,328,378)
Total	(5,472,745)	(293,081)	-	(5,765,826)
Net assets being depreciated	5,506,574	2,638,419	-	8,144,993
Capital assets net of depreciation	\$ 7,957,920	\$ 2,638,419	\$ -	\$ 8,247,708

Business-type Activities

Hydroelectric	\$ 80,651
Sewer	112,718
Water	84,474
Building Authority	15,238
Total Business-type Activities	\$ 293,081

City of Beaverton
Notes to the Financial Statements
June 30, 2022

Discretely Presented Component Unit	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Capital assets being depreciated				
Infrastructure	748,204			748,204
Less accumulated depreciation				
Infrastructure	(339,465)	(60,628)	-	(400,093)
Net assets being depreciated	408,739	(60,628)	-	348,111
Capital assets net of depreciation	\$ 415,739	\$ (60,628)	\$ -	\$ 355,111

Note 6. Accounts Payable and Accrued Liabilities

The composition of accounts payable and accrued liabilities at year-end is as follows:

	Governmental Activities	Business-type Activities	Component Unit
Accounts payable	\$ 343,656	\$ 120,583	\$ 70
Accrued liabilities	27,851	4,605	682
Due to other governments	9,952	-	-
Accrued interest payable	-	30,941	-
Total	\$ 381,459	\$ 156,129	\$ 752

City of Beaverton
Notes to the Financial Statements
June 30, 2022

Note 7. Interfund Balances and Transfers

The City's management reported the following interfund balances at year-end:

<u>Due To:</u>	<u>Due From:</u>	<u>Amount</u>
General fund	DDA Component Unit	\$ 26,840
General fund	Water Fund	22,315
General fund	Internal Service Fund	73,512
Calhoun Campground	General Fund	89,845
Major streets fund	General Fund	128,880
Building Authority	General Fund	5,300
Hydroelectric fund	General Fund	134,966
Hydroelectric fund	DDA Component Unit	10,475
Sewer Fund	General Fund	101,161
Water Fund	Hydroelectric fund	68,200
Water Fund	Sewer	45,738
		<u>\$ 707,232</u>

Total outstanding balances between funds generally result from short-term loans and the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, and the payments between funds.

The City's management reported the following interfund transfers during the year:

<u>Transfers In:</u>	<u>Transfers Out:</u>	<u>Amount</u>
General fund	Internal service fund	\$ 11,204
General fund	Calhoun Campground	6,000
General fund	Sewer Fund	72,125
General fund	Water Fund	38,305
Major Streets	General Fund	3,986
Local Streets	Water Fund	308
Hydroelectric Fund	General Fund	5,934
Sewer Fund	General Fund	209,636
Sewer Fund	Water Fund	132,645
Water Fund	General Fund	67,789
		<u>\$ 547,932</u>

Transfers generally represent unrestricted revenues used to finance programs that the City must account for in specific funds in accordance with budgetary authorizations, amounts provided as subsidies, or matching funds for specific grant programs.

City of Beaverton
Notes to the Financial Statements
June 30, 2022

Note 8. Long-term Debt

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

Long-term obligations at year-end were comprised of the following:

Governmental activities

	Beginning Balance	Increases	(Decreases)	Ending Balance	Due Within One Year
Installment purchase contracts:					
2014 Fire building interest of 2.79% matures December 2029	\$ 47,672	\$ -	\$ (5,798)	\$ 41,874	\$ 5,961
2019 418 Ross Street land contract, interest of 6% matures January 2024	41,603	-	(16,489)	25,114	17,505
2019 Tahoe Police vehicle installment purchase agreement, interest of 3.59% matures June 2024	31,337	-	(10,080)	21,257	10,441
Total installment debt	<u>120,612</u>	<u>-</u>	<u>(32,367)</u>	<u>88,245</u>	<u>33,907</u>
Compensated absences	<u>45,794</u>	<u>-</u>	<u>(601)</u>	<u>45,193</u>	<u>-</u>
Total	<u>\$ 166,406</u>	<u>\$ -</u>	<u>\$ (32,968)</u>	<u>\$ 133,438</u>	<u>\$ 33,907</u>

City of Beaverton
Notes to the Financial Statements
June 30, 2022

Business-type activities

	Beginning Balance	Increases	(Decreases)	Ending Balance	Due Within One Year
Revenue bonds:					
2007 Water line, interest of 4.125% matures April 2047	\$ 936,000	\$ -	\$ (19,000)	\$ 917,000	\$ 20,000
2020 Water line, interest of 1.125% matures July 2060	416,606	228,394	(96,000)	549,000	11,000
1992 Wastewater plant, interest of 5% matures March 2032	645,000	-	(56,000)	589,000	56,000
2020 Wastewater lift station, interest of 1.125% matures August 2061	118,000	-	(3,000)	115,000	2,000
2020 Wastewater system , interest of 2.125% matures October 2050	279,000	146,000	(10,000)	415,000	10,000
2020 Wastewater system , interest of 1.125% matures July 2060	277,000	-	(10,000)	267,000	5,000

City of Beaverton
Notes to the Financial Statements
June 30, 2022

2020 Wastewater system , interest of 1.125% matures July 2060	41,000	-	(1,000)	40,000	1,000
2010 Dam renovation, interest of 4.375% matures September 2049	954,000	-	(17,000)	937,000	18,000
2019 Dam renovation, interest of 2.73% matures November 2034	284,000	-	(17,000)	267,000	17,000
2020 Building Authority, interest of 3% matures February 2050	532,000	-	(11,000)	521,000	12,000
2021 Building Authority, interest of 2.25%, matures September 2060	-	1,081,000	-	1,081,000	27,000
Total installment	<u>4,482,606</u>	<u>1,455,394</u>	<u>(240,000)</u>	<u>5,698,000</u>	<u>179,000</u>
Compensated absences	36,305	-	(14,985)	21,320	-
Total	<u><u>\$ 4,518,911</u></u>	<u><u>\$ 1,455,394</u></u>	<u><u>\$ (254,985)</u></u>	<u><u>\$ 5,719,320</u></u>	<u><u>\$ 179,000</u></u>

City of Beaverton
Notes to the Financial Statements
June 30, 2022

The annual requirements to pay future principal and inters on the primary government's installment purchase contracts and bonds are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 33,907	\$ 2,921	\$ 179,000	\$ 173,414
2024	24,555	1,464	185,000	174,355
2025	6,301	787	188,000	170,909
2026	6,479	611	191,000	164,292
2027	6,660	427	196,000	157,610
2028-2032	10,343	289	1,051,000	688,249
2033-2037	-	-	823,000	523,034
2038-2042	-	-	875,000	401,063
2043-2047	-	-	1,020,000	259,065
2048-2052	-	-	725,000	111,263
2053-2057	-	-	146,000	12,909
2058-2062	-	-	119,000	3,768
Total	\$ 88,245	\$ 6,499	\$ 5,698,000	\$ 2,839,931

City of Beaverton
Notes to the Financial Statements
June 30, 2022

Component Unit (DDA)	Beginning Balance	Increases	(Decreases)	Ending Balance	Due Within One Year
Land contract	\$ 264,160	\$ -	\$ (5,883)	\$ 258,277	\$ 6,215

In 2019 the DDA entered into a land contract agreement for the purchase of a building with interest of 5.50% and required installment payments through July 2044. The annual requirements to pay future principal and interest on the component unit's installment purchase contract are as follows:

Year Ending June 30,	Component Unit	
	Principal	Interest
2023	\$ 6,215	\$ 14,050
2024	6,565	13,700
2025	6,936	13,329
2026	7,327	12,938
2027	7,740	12,525
2028-2032	45,764	55,561
2033-2037	60,211	41,113
2038-2042	79,222	22,103
2043-2044	38,297	2,233
Total	<u>\$ 258,277</u>	<u>\$ 187,552</u>

Note 9. Property Taxes

City property taxes are attached as an enforceable lien on property as of July 1 and are due without penalty on or before September 15. Real property taxes not collected as of March 1 are turned over to Gladwin County for collection, which advances the City 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Property taxes levied in July of each year are recognized as revenue in that year.

The City acts as a collection agent for the State of Michigan, Gladwin County and the local school district. Taxes collected on behalf of the school district, Gladwin County and the State of Michigan are turned over immediately following collection and are accounted for in the agency fund.

City of Beaverton
Notes to the Financial Statements
June 30, 2022

Note 10. Tax Abatements

The City has entered into property tax abatement agreements with local businesses under programs authorized under Public Act 198 of 1974, as amended (PA 198).

PA 198 (Industrial Property Tax Abatement) allows abatements to encourage Michigan manufacturers to build new plants expand existing plants, renovate aging plants, or add new machinery and equipment. High technology operations are also eligible for the abatement. Once approved by the municipality the firm pays an Industrial Facilities Tax (IFT), instead of full rate property taxes, which reflects the abatement savings. The exemption covers only the specific project that is the subject of the application. Any buildings and equipment that existed prior to the construction of a new facility are not eligible. Likewise, any structures or equipment added after completion of the project are fully taxable. The IFT on new plant and non-industrial personal property is computed at half the local property mileage rate resulting in a reduction of property taxes of approximately 50%. For an obsolete plant or machinery that is being replaced or restored, the IFT is frozen at the assessed value of the plant prior to improvement, resulting in a 50% exemption from property tax on the value of the improvements. A speculative building would be eligible for a reduction in property taxes of approximately 50%. Commercial personal property will receive an automatic reduction of 12 mills for the local school operating millage on their property tax bill.

During the year, the City abated property taxes of approximately \$14,000 under these programs.

Note 11. Risk Management

The City participates in a public entity risk (insurance) pool with other local units of government. in the Michigan Municipal Liability and Property Pool. This self-insurance plan provides members with loss protection for property damage and general liability. The City made contributions of \$48,027 to the plan during the year.

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

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

City of Beaverton

Notes to the Financial Statements

June 30, 2022

Note 12. Pension Plan

The City's defined contribution pension plan investments are held in trust by the fiduciary: Michigan Municipal Employees' Retirement System, Massachusetts Mutual Life Insurance Company Chemical Bank or Modem Woodmen of America. Michigan Compiled Laws Section 38.1132, authorizes the City pension plan to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real property. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City provides pension benefits to administrative employees and union employees, who are full-time, age twenty-one and over and employed with the City for at least one year.

Note 13. Deferred Compensation Plan

The City offers all full-time employees a deferred compensation plan (Plan) created in accordance with the Internal Revenue Code Section 457. The assets of the plans are held in trust, as described in IRC Section 457(g), for the exclusive benefit of the participants (employees) and their beneficiaries. The Plan custodian holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Plan administrators are agents of the employer for the purpose of providing direction to the Plan custodian from time to time for the investment of the funds held in the custodial account, transfer of assets to or from the custodial account, and all other matters.

Note 14. Contingencies and Commitments

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

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The City has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

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

City of Beaverton
Notes to the Financial Statements
June 30, 2022

Note 15. Management Review

Management has evaluated subsequent events and transactions for potential recognition and disclosure through November 4, 2022 the date these financial statements were available to be issued.

Note 16. Prior Period Adjustments

During the year ending June 30, 2022 management moved Rubbish Service activities from being included in the General Fund to an enterprise fund. The change increases the General Fund Balance and Governmental Activities Net Position by \$569,272 and decreases Business-type Activities Net Position by \$569,272. Management believes making this change will enable them to better assess current City services and to plan for future needs.

Subsequent to issuance of the June 30, 2021 financial statements it was discovered that certain grant funding received in the prior year was incorrectly recorded as debt. Additionally, there were infrastructure assets from ongoing projects recorded in governmental funds that were related to debt and grant funding used as of June 30, 2021. To correct these errors debt in the Sewer Fund was reduced by \$709,000, and Water Fund debt was increased by \$416,606. \$813,811 and \$416,606 was reclassified from Government-wide Activities to the Business-type Activities - Sewer and Water, respectively. The net affect on the Net Position of Governmental Activities was a decrease in Net Position of \$1,230,412 and an increase in the Net Position of Business-type Activities and the Sewer Fund of \$1,522,811. The net affect on Water Fund Net Position was \$0.

Required Supplementary Information

City of Beaverton

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 331,634	\$ 409,971	\$ 414,973	\$ 5,002
Federal sources	165,667	153,758	182,803	29,045
State sources	389,140	331,454	265,603	(65,851)
Charges for services	129,923	117,500	139,199	21,699
Fines and forfeitures	6,400	11,588	12,306	718
Licenses and permits	1,500	6,390	6,565	175
Interest earned on deposits	1,005	5	81	76
Rent	6,000	9,471	8,672	(799)
Miscellaneous	68,125	63,000	83,639	20,639
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	1,099,394	1,103,137	1,113,841	10,704
Expenditures:				
General government -				
City council	28,135	48,572	48,977	(405)
City manager	44,180	44,757	45,362	(605)
Finance and administration	229,820	160,762	166,083	(5,321)
Clerk	26,084	23,193	25,877	(2,684)
Board of Review	1,020	693	687	6
Treasurer	23,113	42,032	41,835	197
Assessor	12,715	13,755	13,559	196
Elections	3,570	3,760	3,717	43
Building an grounds	1,221,920	8,370	8,336	34
	<hr/>	<hr/>	<hr/>	<hr/>
Total general government	1,590,557	345,894	354,433	(8,539)
Public safety -				
Police	321,121	342,857	336,392	6,465
Fire protection contract	70,300	74,742	72,917	1,825
Building inspection department	20,150	26,775	18,631	8,144
	<hr/>	<hr/>	<hr/>	<hr/>
Total public safety	411,571	444,374	427,940	16,434
Public works -				
Public works	24,493	89,973	83,111	6,862
Cemetery	900	11,308	12,320	(1,012)
Street lights	19,000	16,500	16,116	384
	<hr/>	<hr/>	<hr/>	<hr/>
Total public works	44,393	117,781	111,547	6,234
Health and welfare -				
Mosquito control	31,152	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

City of Beaverton

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2022

Community and economic development -				
Planning	6,500	8,547	9,029	(482)
Civic betterment	<u>100,000</u>	<u>121,678</u>	<u>116,212</u>	<u>5,466</u>
Total community and economic development	<u>106,500</u>	<u>130,225</u>	<u>125,241</u>	<u>4,984</u>
Recreation and culture	<u>114,041</u>	<u>12,884</u>	<u>10,802</u>	<u>2,082</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt service -				
Principal	44,069	32,285	32,285	-
Interest	<u>17,506</u>	<u>5,085</u>	<u>5,084</u>	<u>1</u>
Total debt service	<u>61,575</u>	<u>37,370</u>	<u>37,369</u>	<u>1</u>
Total Expenditures	<u>2,359,789</u>	<u>1,088,528</u>	<u>1,067,332</u>	<u>21,196</u>
Other financing sources (uses) -				
Debt Proceeds	1,200,000	-	-	-
Transfers in	66,902	361,917	127,635	(234,282)
Transfers out	<u>-</u>	<u>(365,901)</u>	<u>(292,644)</u>	<u>73,257</u>
Other financing sources (uses) -	<u>1,266,902</u>	<u>(3,984)</u>	<u>(165,009)</u>	<u>(161,025)</u>
Net change in fund balance	6,507	10,625	(118,500)	129,125
Fund balance - beginning of year	<u>357,822</u>	<u>700,197</u>	<u>700,197</u>	<u>-</u>
Fund balance - end of year	<u>\$ 364,329</u>	<u>\$ 710,822</u>	<u>\$ 581,697</u>	<u>\$ 129,125</u>

City of Beaverton

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Major Streets Fund

For the Year Ended June 30, 2022

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 35,746	\$ -	\$ -	\$ -
Federal sources	926,920	48,151	32,557	(15,594)
State sources	584,956	227,967	207,449	(20,518)
Interest earned on deposits	-	-	-	-
Total Revenues	<u>1,547,622</u>	<u>276,118</u>	<u>240,006</u>	<u>(36,112)</u>
Expenditures				
Public works -				
Salaries	39,301	37,000	36,740	260
Payroll taxes	3,000	3,000	2,769	231
Employee benefits	14,145	10,605	9,164	1,441
Supplies	1,431,106	264,651	118,651	146,000
Utilities	-	-	-	-
Repairs and maintenance	200,235	13,100	13,866	(766)
Equipment rental	<u>20,290</u>	<u>20,290</u>	<u>13,062</u>	<u>7,228</u>
Total public works	<u>1,708,077</u>	<u>348,646</u>	<u>194,252</u>	<u>154,394</u>
Excess revenues over (under) expenditures	(160,455)	(72,528)	45,754	118,282
Other financing sources (uses)				
Transfers out	-	-	-	-
Transfers in	-	3,985	3,986	1
Bond proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>3,985</u>	<u>3,986</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures and other uses	(160,455)	(68,543)	49,740	118,283
Fund balance - beginning of year	<u>228,693</u>	<u>228,693</u>	<u>228,693</u>	<u>(54,170)</u>
Fund balance - end of year	<u>\$ 68,238</u>	<u>\$ 160,150</u>	<u>\$ 278,433</u>	<u>\$ 64,113</u>

City of Beaverton

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Local Streets Fund

For the Year Ended June 30, 2022

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 35,746	\$ 37,536	\$ 37,190	\$ (346)
Federal sources	-	170,574	-	(170,574)
State sources	59,300	46,264	47,576	1,312
Interest earned on deposits	20	20	-	(20)
Total Revenues	95,066	254,394	84,766	(169,628)
Expenditures				
Public works -				
Salaries	36,292	33,892	33,078	814
Payroll taxes	2,800	2,800	2,491	309
Employee benefits	12,868	8,750	8,327	423
Supplies	-	479,347	163,378	315,969
Utilities	-	-	-	-
Repairs and maintenance	12,795	15,380	15,084	296
Equipment rental	12,174	12,174	8,587	3,587
Total public works	76,929	552,343	230,945	321,398
Excess revenues over (under) expenditures	18,137	(297,949)	(146,179)	151,770
Other financing sources (uses)				
Transfers out	-	(83,750)	(750)	83,000
Transfers in	-	308	308	-
Bond proceeds	-	-	-	-
Total other financing sources	-	(83,442)	(442)	83,000
Excess (deficiency) of revenues over expenditures and other uses	18,137	(381,391)	(146,621)	234,770
Fund balance - beginning of year	110,239	332,073	332,073	(54,170)
Fund balance - end of year	\$ 128,376	\$ (49,318)	\$ 185,452	\$ 180,600

Other Supplementary Information

City of Beaverton

Balance Sheet and Statement of Net Position

Downtown Development Authority Component Unit

For the Year Ended June 30, 2022

	Downtown Development Authority	Adjustments	Statement of Net Position
Assets			
Cash and investments	\$ 74,498	\$ -	\$ 74,498
Accounts receivable	-	-	-
Due from primary	-	-	-
Capital assets:			
Nondepreciable capital assets	-	7,000	7,000
Depreciable capital assets, net	-	348,112	348,112
Total Assets	<u>\$ 74,498</u>	<u>\$ 355,112</u>	<u>\$ 429,610</u>
Liabilities and fund balance			
Liabilities			
Current liabilities -			
Accounts payable	\$ 70	\$ -	\$ 70
Accrued liabilities	682	-	682
Due to primary government	37,315	-	37,315
Unearned revenue	20,000	-	20,000
Noncurrent liabilities -			
Accrued compensated absences	-	3,361	3,361
Due within one year	-	6,215	6,215
Due in more than one year	-	252,062	252,062
Total liabilities	<u>58,067</u>	<u>261,638</u>	<u>319,705</u>
Fund balance (deficit)	<u>16,431</u>	<u>(16,431)</u>	<u>-</u>
Unassigned			
Total liabilities and fund balance	<u>\$ 74,498</u>		
Net position			
Net Investment in capital assets		96,835	96,835
Unrestricted		13,070	13,070
Total Net Position		<u>\$ 109,905</u>	<u>\$ 109,905</u>

City of Beaverton

Governmental Revenues, Expenditures and Changes in Fund Balances and Statement of Activities

Downtown Development Authority Component Unit

For the Year Ended June 30, 2022

	Downtown Development Authority	Adjustments	Statement of Net Position
Revenues			
Property taxes	\$ 69,489	\$ -	\$ 69,489
State revenue - LCSA	42,869	-	42,869
Charges for services	17,200	-	17,200
Other revenue	-	-	-
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	<u>\$ 129,558</u>	<u>\$ -</u>	<u>\$ 129,558</u>
Expenditures/expenses			
Community and economic development	62,865	-	62,865
Capital outlay	-	-	-
Debt service -			
Principal	5,883	(5,883)	-
Interest	14,382	-	14,382
Depreciation	-	60,626	60,626
	<hr/>	<hr/>	<hr/>
Total expenditures/expenses	83,130	54,743	137,873
Excess (deficiency) of revenues over (under) expenditures/expenses	46,428	(54,743)	(8,315)
Other financing sources (uses)			
Transfers in - primary government	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance/net position	46,428	(54,743)	(8,315)
Fund balance (deficit)/net position -			
Beginning of year	(29,997)	112,623	118,220
End of year	<u>\$ 16,431</u>	<u>\$ 57,880</u>	<u>\$ 109,905</u>

City of Beaverton
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Award/ Project#</u>	<u>Current Year Expenditures</u>
United States Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities			
Loan portion	10.760	N/A	\$ 374,394
Grant portion	10.760	N/A	<u>326,032</u>
			700,426
Community Facilities Loans and Grants			
Loan portion	10.766	N/A	1,613,000
Grant portion	10.766	N/A	<u>61,950</u>
			1,674,950
United States Department of Commerce			
Investments for Public Works & Economic Development	11.003	06-01-06133	<u>451,905</u>
United States Department of Justice			
Public Safety Partnership and Community Policing Grants	16.710	2020UMWX0400	<u>58,902</u>
United States Department of Treasury			
Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>123,900</u>
Total Federal Expenditures			<u><u>\$ 3,010,083</u></u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF BEAVERTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of City of Beaverton under programs of the federal government for the year ended June 30, 2022. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the City of Beaverton, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of the City of Beaverton. Pass through entity identifying numbers are presented where available.

Note 2. Indirect Costs

The City did not elected to use the 10% de minimus indirect costs rate.

Note 3. Loans Outstanding

The amount expended under AL 10.760, Water and Waste Disposal Systems for Rural Communities, includes advances on loans during the year totaling \$374,394. The loans had beginning outstanding principal balances totaling \$3,666,606 and ending total principal balances of \$3,829,000, as of June 30, 2022.

The amount expended under AL 10.766, Communities Facilities Loans and Grants, includes beginning loan balances of \$532,000 and advances on loans during the year totaling \$1,081,000. The loans had outstanding principal balances totaling \$1,602,000 as of June 30, 2022.

Note 4. Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements

Reported in the City's financial statements for the year ended June 30, 2022:

Enterprise funds (Sewer Fund) increase in long-term debt	\$	146,000
Enterprise funds (Water) increase in long-term debt		228,394
Enterprise funds (Sewer) other revenues		355,424
Governmental funds (General Fund) federal sources		182,803
Governmental funds (Major Streets) federal sources		32,557
Capital projects fund bond proceeds		1,081,000
Capital projects funds		451,905
		<hr/>
	\$	<u>2,478,083</u>



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Michigan Association of C.P.A.'s

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

To the City Council
City of Beaverton
Beaverton, Michigan

We have audited, 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, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Beaverton, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Beaverton's basic financial statements and have issued our report thereon dated November 4, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Beaverton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Beaverton's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Beaverton'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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Beaverton'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022-003.

City of Beaverton's Response to Findings

The City of Beaverton's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Beaverton'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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

Quast, Janke and Company



Bay City, Michigan
November 4, 2022



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the City Council
City of Beaverton
Beaverton, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Major Federal Program

We have audited City of Beaverton's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of City of Beaverton's major federal programs for the year ended June 30, 2022. City of Beaverton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Beaverton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Beaverton and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Beaverton's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Beaverton's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Beaverton 's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Beaverton's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Beaverton's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Beaverton's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Beaverton's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Beaverton's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City of Beaverton's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-004 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed

Government Auditing Standards requires the auditor to perform limited procedures on the City of Beaverton's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City of Beaverton's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Quast, Janke and Company



Bay City, Michigan
November 4, 2022

CITY OF BEAVERTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section I. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified:	<u> X </u>	YES		<u> </u>	NO
Significant deficiencies identified that are not considered to be material weaknesses:				<u> X </u>	NO

Noncompliance material to financial statements noted:

Federal Awards

Internal control over major programs:

Material weakness(es) identified:	<u> X </u>	YES		<u> </u>	NO
Significant deficiencies identified that are not considered to be material weaknesses:				<u> X </u>	NO

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported with Title 2 U.S. *Code of Federal Regulations* (CFR) PART 200 *Uniform Requirements*: X YES NO

Identification of major programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee: YES X NO

CITY OF BEAVERTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section II. Financial Statement Audit Findings

2022-001 Lack of Segregation of Duties *(repeated from prior year)*

Material weakness in internal control over financial reporting.

Criteria:

The City's management is responsible for establishing and maintaining effective internal controls over financial reporting and for safeguarding the City's assets.

Condition:

During the course of our audit we noted instances where multiple key financial duties were being performed by the same individual and there were no mitigating controls in place to ensure effective internal controls.

Cause:

Proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and be able to conceal it. As is the case with many organizations of similar-size, the City lacks a sufficient number of personnel in order to ensure a complete segregation of duties within its accounting function.

Effect:

The City's current system of internal control does not appear to have sufficient safeguards in place to ensure that fraud or abuse is prevented or can be detected in a timely manner. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records and maintain custody of the assets resulting from the transaction.

View of Responsible Officials:

The City has made significant adjustments to correct this deficiency. The City has segregated duties of cash handling and transfers amongst the administrative staff to address this issue.

CITY OF BEAVERTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

2022-002 Preparation of Financial Statements in Accordance with U.S. GAAP *(repeated from prior year)*

Material weakness in internal control over financial reporting.

Criteria:

The City is required to prepare financial statements in accordance with accounting principles generally accepted in the United States (U.S. GAAP). This is a responsibility of the City's management. The preparation of financial statements in accordance with U.S. GAAP requires internal controls over both (1) recording processing, and summarizing accounting data (i.e., maintaining internal books and records) and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition:

As is the case with many smaller and medium-sized entities the City has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with U.S. GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

Cause:

This condition was caused by the City's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect:

As a result of this condition the City lacks internal controls over the preparation of financial statements in accordance with U.S. GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials:

The City has made significant adjustments to correct this deficiency. The City has hired accounting consultants to resolve this issue. The City will debrief consultants to make sure expectations are being met to address this issue.

CITY OF BEAVERTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

2022-003 Violation of Reserve Requirements Related to Debt (repeated from prior year)

Material Noncompliance or Other Matters

Criteria:

The City has revenue bonds outstanding in the Hydroelectric, Sewer and Water funds. The provisions of those debt agreements require the City to set aside assets in reserve accounts for debt service and repairs, replacement and improvements (RRI).

Condition:

The City has not accumulated sufficient reserves to satisfy the requirements, as follows:

- **92-08, 09** Sewer bond reserve; \$77 500 required - \$16,125 in reserves
- **92-28, 33** Sewer bond reserve \$2,476 required - \$0 in reserves
- **92-28, 33** Sewer RRI reserve \$6,400 required - \$0 in reserves
- **92-30** Sewer bond reserve \$800 required - \$0 in reserves
- **97-17** Hydro bond reserve \$54,000 required - \$14,911 in reserves

Cause:

Inadequate financial resources have been available to satisfy the requirements.

Effect:

The City is not in compliance with the reserve requirements imposed by the U.S. Department of Agriculture; Rural Development AL# 10.760.

Questioned Costs:

No costs have been questioned as a result of this finding.

Recommendation:

We recommend that the City develop a long-term plan to replenish and fund the USDA Reserve Accounts to the reserve provisions established in the debt agreements.

View of Responsible Officials:

The previous City Manager made unauthorized transfers out of the USDA Reserve Accounts to pay for capital improvements. The City has coordinated with the USDA to provide an explanation and solution to replenish the reserves. The City made the first transfer of an approved five (5) year workout plan in April 2020 and will continue to make the transfers as agreed. The City has adopted a five (5) year utility rate study that projects a 9.9% increase in rates over the next 5 years. Year 5 of the rate increase go into effect on July 1, 2022. The City plans to restrict funds to begin the process of replenishing these reserves. Additionally, during the June 30, 2022 year end, the City was able to fully fund the reserve requirements related to their Water bonds of \$69,020 bond reserve and \$112,550 RRI reserve.

CITY OF BEAVERTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section III. Major Federal Award Findings

2022-004 AL# 10.766 Community Facilities Loans and Grants - Written Policies Required by the Uniform Guidance

Material Weakness in Internal Control over Compliance

Criteria:

The Uniform Guidance requires a non-federal entity that has expended federal awards for a grant awarded on or after December 26, 2014 to have written policies pertaining to allowability of costs charged to federal programs, cash management, financial management, procurement, compensation/payroll, and travel costs (§200.300 - 328).

Condition:

Although the City has processes in place to cover these areas, the City lacks formal written policies covering these areas.

Cause:

This condition appears to be the result of a time lag in identifying the requirement and developing a plan for compliance.

Effect:

As a result of this condition, the City did not fully comply with the Uniform Guidance applicable to the above noted grants.

Questioned Costs:

No costs have been questioned as a result of this finding.

Recommendation:

We recommend that the City ensures these policies are updated to conform with the Uniform Guidance as soon as practical, but no later than the end of fiscal year 2023.

View of Responsible Officials:

We agree with the finding. The City is currently working on updating all current procedures and policies to ensure that they are compliant with Uniform Guidance for all current and future Federal Awards.



Section IV.

Prior Audit Findings

Financial Statement Audit Findings

2021-001 Material Weakness - Audit Adjustments

Criteria:

The City is required to design, maintain and implement internal controls over the recording, processing and summarizing of accounting data to ensure accurate financial reporting (i.e., maintain accurate internal books and records). Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Status:

Resolved.

2021-002 Material Weakness - Reconciliations

Criteria:

Timely account reconciliations represent an important control used to detect and prevent material misstatements. Industry standards suggest that significant account balances be reconciled on a monthly basis.

Status:

Resolved.

2021-003 Material Weakness - Lack of Segregation of Duties

Criteria:

During the course of our audit we noted instances where multiple key financial duties were being performed by the same individual and there were no mitigating controls in place to ensure effective internal controls.

Status:

Continues to be a finding in the current year, see current year finding 2022-001.

2021-004 Material Weakness - Preparation of Financial Statements

Criteria:

The City is required to prepare financial statements in accordance with accounting principles generally accepted in the United States (U.S. GAAP). This is a responsibility of the City's management. The preparation of financial statements in accordance with U.S. GAAP requires internal controls over both (1) recording processing, and summarizing accounting data (i.e., maintaining internal books and records) and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Status:

Continues to be a finding in the current year, see current year finding 2022-002.

2021-005 Material Weakness - Manual Adjustments to the General Ledger

Criteria:

A strong system of internal controls mandates that proper supportive documentation be maintained to provide sufficient evidence of a transaction. Adequate documentation should be maintained to identify the purpose and support for manual adjustments to the general ledger accounting system.

Status:

Resolved.

2021-006 Noncompliance in Internal Controls over Compliance

Criteria:

The City has revenue bonds outstanding in the Hydroelectric, Sewer and Water funds. The provisions of those debt agreements require the City to set aside assets in reserve accounts for debt service and repairs, replacement and improvements (RRI).

Status:

Continues to be a finding in the current year, see current year finding 2022-003.



Corrective Action Plan

Federal Audit Clearinghouse

The City of Beaverton respectfully submits the following corrective action plan for the year ended June 30, 2022.

Name and address of independent public accounting firm:

Quast, Janke & Company
1010 N Johnson St
Bay City, MI 48708

Audit Period: June 30, 2022

Contact person responsible for Corrective Action
Kimberly Hines, City Manager

The findings from the June 30, 2022 schedule of findings and questions costs are detailed in the schedule above. The findings are numbered consistently with the numbers assigned in the schedule.

2022-003 Violation of Reserve Requirements Related to Debt

Recommendation:

We recommend that the City develop a long-term plan to replenish and fund the USDA Reserve Accounts to the reserve provisions established in the debt agreements.

Action Taken:

The City has coordinated with the USDA to provide an explanation and solution to replenish the reserves. The City made the first transfer of an approved five (5) year workout plan in April 2020 and will continue to make the transfers as agreed. The City has adopted a five (5) year utility rate study that projects a 9.9% increase in rates over the next 5 years. Year 4 of the rate increase go into effect on July 1, 2021. The City plans to restrict funds to begin the process of replenishing these reserves.

Anticipated Completion Date:

June 2025