



FINANCIAL REPORT  
WITH SUPPLEMENTAL INFORMATION  
FISCAL YEAR END JUNE 30, 2021

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Beaverton  
Beaverton, Michigan

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

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

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-9) and the budgetary comparison information (pages 42-55) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beaverton's basic financial statements. The balance sheet and statement of net position and the statement of revenues, expenditures and changes in fund balances and statement of activities of the discretely presented component unit are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

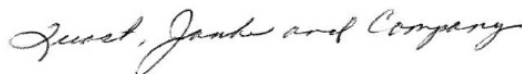
The balance sheet and statement of net position and the statement of revenues, expenditures and changes in fund balances and statement of activities of the discretely presented component unit and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the balance sheet and statement of net position and the statement of revenues, expenditures and changes in fund balances and statement of activities of the discretely presented component unit 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 Governmental Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2021, on our consideration of the 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 the City of Roger City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Beaverton's internal control over financial reporting and compliance.

Sincerely,

Quast, Janke and Company



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Certified Public Accountants, P.C.  
December 28, 2021

# City of Beaverton

## Management's Discussion and Analysis

June 30, 2021

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, 2021. 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.

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

# City of Beaverton

## Management's Discussion and Analysis

June 30, 2021

**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 and Water 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 and Water 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 19-41 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 42-47 of this report.

# City of Beaverton

## Management's Discussion and Analysis

June 30, 2021

### FINANCIAL HIGHLIGHTS

The City's combined net position increased \$971,332 over the course of the fiscal year to a total of \$4,244,069. The following tables present an analysis of the City's net position. Net position of governmental activities increased \$1,214,471 or 183% 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 \$287,462 or 30.27% 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, 2021 and 2020.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>ASSETS</b>						
Current and other assets	\$ 780,670	\$ 1,190,759	\$ 511,733	\$ 297,385	\$ 1,292,403	\$ 1,488,144
Capital assets net of accumulated depreciation	2,718,354	659,108	6,727,504	5,502,217	9,445,858	6,161,325
Total Assets	<u>3,499,024</u>	<u>1,849,867</u>	<u>7,239,237</u>	<u>5,799,602</u>	<u>10,738,261</u>	<u>7,649,469</u>
<b>LIABILITIES</b>						
Current liabilities	199,321	1,001,721	58,567	62,431	257,888	1,064,152
Long-term liabilities	165,405	186,077	4,775,000	3,147,975	4,940,405	3,334,052
Total Liabilities	<u>364,726</u>	<u>1,187,798</u>	<u>4,833,567</u>	<u>3,210,406</u>	<u>5,198,293</u>	<u>4,398,204</u>
<b>NET POSITION</b>						
Net investment in capital assets	2,597,732	507,585	1,969,304	2,674,217	4,567,036	3,181,802
Restricted	560,766	123,167	76,154	92,446	636,920	215,613
Unrestricted	(24,200)	31,317	323,906	(177,467)	299,706	(146,150)
Total Net Position	<u>\$ 3,134,298</u>	<u>\$ 662,069</u>	<u>\$ 2,369,364</u>	<u>\$ 2,589,196</u>	<u>\$ 5,503,662</u>	<u>\$ 3,251,265</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 \$527,388.



# City of Beaverton

## Management's Discussion and Analysis

June 30, 2021

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	
	2021	2020	2021	2020	2021	2020
<b>Program Revenues</b>						
Charges for services	\$ 144,953	\$ 120,254	\$ 871,684	\$ 833,321	\$ 1,016,637	\$ 953,575
Operating grants and contributions	2,780,013	239,538	434,390	-	3,214,403	239,538
Capital grants and contributions	-	-	-	-	-	-
<b>General Revenues</b>						
Property taxes	405,782	509,305	-	-	405,782	509,305
State revenue sharing	253,802	-	-	-	253,802	-
Interest income	2,392	-	36	-	2,428	-
Other revenue	135,451	-	-	127,358	135,451	127,358
Total Revenues	<u>3,722,393</u>	<u>869,097</u>	<u>1,306,110</u>	<u>960,679</u>	<u>5,028,503</u>	<u>1,829,776</u>
<b>Program Expenses</b>						
General government	316,572	291,551	-	-	316,572	291,551
Public safety	416,234	325,839	-	-	416,234	325,839
Public works	377,721	395,346	-	-	377,721	395,346
Health and welfare	-	36,641	-	-	-	36,641
Community and economic development	62,059	18,406	-	-	62,059	18,406
Recreation and culture	52,316	81,393	-	-	52,316	81,393
Interest on long-term debt	6,910	7,383	-	-	6,910	7,383
Hydroelectric	-	-	240,296	259,947	240,296	259,947
Sewer	-	-	940,915	425,081	940,915	425,081
Water	-	-	366,300	393,739	366,300	393,739
Building authority	-	-	18,255	-	-	-
Total Expenses	<u>1,231,812</u>	<u>1,156,559</u>	<u>1,565,766</u>	<u>1,078,767</u>	<u>2,779,323</u>	<u>2,235,326</u>
Changes in Net Position before transfers	2,490,581	(287,462)	(259,656)	(118,088)	2,230,925	(405,550)
Transfers	(18,352)	-	18,352	-	-	-
Changes in Net Position	<u>1,213,460</u>	<u>(287,462)</u>	<u>(241,304)</u>	<u>(118,088)</u>	<u>972,156</u>	<u>(405,550)</u>
Net Position - Beginning	662,069	949,531	2,610,668	2,707,284	3,272,737	3,656,815
Net Position - Ending	<u>\$ 1,875,529</u>	<u>\$ 662,069</u>	<u>\$ 2,369,364</u>	<u>\$ 2,589,196</u>	<u>\$ 4,244,893</u>	<u>\$ 3,251,265</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 decreased 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. 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, 2021

### **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 \$8,880. 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 6% of total General Fund expenditures. In addition, the fund balance of the City's General Fund decreased by \$55,150, 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 \$271,831 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 8% 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 51% 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 Water Fund experienced an approximate 8% increase in net position. This results from the combination of a modest increase in revenue coupled with and nonrecurring contracted service costs related to accounting and financial reporting services, utility rate studies and other nonrecurring project costs.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The City's General Fund ended the fiscal year with a decrease to fund balance of \$55,150. The original budget projected an increase of \$12,287 and the final amended budget projected an increase of \$18,164. Actual revenues and other financing resources were \$49,490 less than the final amended budget and actual expenditures and other financing uses were \$122,804 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.

### **CAPITAL ASSETS**

At year-end, the primary government reported capital assets of \$9,444,023 (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 \$3,282,698 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 project in the Building Authority Enterprise Fund, purchased a police vehicle in the Internal Service Fund, and began water, sewer and street 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, 2021

### LONG-TERM DEBT

The City issued \$1,424,000 in debt in the Sewer Fund for reconstruction projects and drew the balance of \$343,000 of the \$545,000 available in debt in the Building Authority Enterprise Fund to construct certain improvements to public facilities. 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

The City of Beaverton has had a number of very productive fiscal years that positioned the City to complete a number of projects. First, the City managed a fiscal recovery plan that stabilized revenues and expenses. On the revenue side, the City renewed the Police, Fire and Streets millages. In addition, the City deployed a five (5) year utility rate increase program and the City secured approximately \$8.2 million in grant funding:

Source	Project	Amount
USDA - RD	Sewer Lift Station Project	\$ 829,000
State of MI	Glidden Road	360,000
USDA - RD	Industrial Park - Engineering	50,000
USDA - RD	Farmer's Market Study	50,000
Gladwin County Community Foundation	Police Vehicle	10,000
USDA - RD	Police Vehicle	20,000
MDOT - Category A	Industrial Park Expansion	484,956
MDOT - Category B	Saginaw Street	250,000
Department of Commerce - EDA	Industrial Park Expansion	1,455,720
USDA - RD	Farmer's Market Pavilion	100,000
USDA - RD	Industrial Park Expansion	100,000
Saginaw WIN	DDA Trailhead	20,000
Saint Gobain Performance Plastics	Industrial Expansion - Match	396,000
Michigan DNR	DDA Trailhead	50,000
EMCOG	DDA Trailhead	18,262
MEDC - Patronicity	Splash Park	50,000
Gladwin County Community Foundation	DDA Trailhead	5,000
MSHDA	Modular House	196,000
MSHDA	Neighborhood Enhancement Program Rd 5	40,000
USDA - RD	Saginaw Street	726,000
USDOJ - COPS Grant	COPS Program	125,000
MSHDA	Neighborhood Enhancement Program Rd 6	40,000
MEDC - CDBG	Industrial Park	500,000
USDA - RCPP	Storm Drain/Ross Lake	1,300,000
FEMA	Hydrodamn Embankment Project	790,739
DNR Trust Fund	M-18/Porter Parking Lot Project	255,000
Grand Total		<u>\$ 8,221,677</u>

### **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 damage at \$790,739.25. The City will be advertising for bids for the repair and is estimating completion of the work in Summer of 2021. The City will begin disassembly of the hydro turbine in early 2022, with expectations of starting repairs in Spring 2022.

### **Building Projects:**

The City is currently finalizing the design of a new Public Works/Police Building to replace the old Public Works Building that was damaged in a fire in October 2018. The City Hall Project began on April 1, 2020 and was substantially complete on July 13, 2020. The Public Works/Police Building was advertised for bids on October 23, 2020; however, bids came in substantially above the project budget. The City is reviewing the feasibility of a design bid strategy. The City moved forward with a design-build strategy and awarded the project to J.R. Heineman & Sons. The rehabilitation project began in late 2021, with the expectation of the project being substantially complete by early Summer of 2022.

# City of Beaverton

## Management's Discussion and Analysis

June 30, 2021

### **Industrial Park Project:**

The City advertised the Industrial Road Expansion Project on October 9, 2020, which includes the reconstruction of Glidden Road, repaving of the north portion of Terry Diane Street and relocating the south portion of Terry Diane Street to the east, in addition connecting Judy Mae Street to Terry Diane. The road position of the expansion began construction Spring 2021. In addition to the road expansion, the industrial expansion project includes the construction of a Water Iron Removal Treatment Plant. This project was advertised on November 13, 2020 and the City has worked to secure additional funding for the project. The City received a grant from the Michigan Economic Development Corporation in the amount of \$500,000. The City expects the project to begin in early 2022.

### **Street Projects:**

The City advertised the reconstruction of Saginaw Street on May 12, 2020. The City received a bid within the expected estimated parameters of the project. This project will include sidewalks, curbs, storm drainage, water line and sewer line replacements. This project began in August 2020 and completed in late June 2021.

The City advertised the reconstruction of Glidden Street (between Terry Diane and City limits east) on May 21, 2020. This project will include sidewalks, curbs, storm drainage and sewer line replacements. This project began in October 2020 and was completed (both phases) in August 2021.

### **Strategic Initiatives:**

The City formally replaced the 1987 Master Plan with a new adopted plan on March 16, 2020. The new Master Plan highlights our priorities:

1. **Housing.** To stabilize the housing market by building new homes and rehabilitating the existing home. These efforts will increase our tax base and support our local school district. The other housing emphasis will be placed on recruiting and implementing housing solutions for seniors and multi-family needs (apartments). The multi-family efforts will focus on attainable workforce housing to support our local businesses and industry.
2. **Infrastructure.** To refresh/rebuild our public infrastructure to serve our City's needs from residential to commercial to industrial purposes. Strong emphasis will be placed on enhancing the City's recreational, storm drain and natural resources.
3. **Economic Development.** To recruit and retain investment in housing, commercial and industrial activities. These investments will increase the tax base, commercial activity and increase school enrollment.
4. **Support of our local school district.** The school district secured a Marshall Plan Grant in a combined effort with Coleman Schools. This grant will create a curriculum for Beaverton students that are interested in the Plastics Industry and give them real-life skills in addition to providing career opportunities.

The economic outlook for the City is strong with continued efforts to redevelop the City's assets, support the school district, invest in outdoor recreational activities, continue strong financial practices and create new zoning ordinances. The City appreciates the patience and support of the public during this transitional period.

### **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 the City Manager at P.O. Box 477, Beaverton, Michigan 48612-0477, call (989) 435-3511, or email at [hkaplan@beavertonmi.org](mailto:hkaplan@beavertonmi.org).

# City of Beaverton

## Statement of Net Position

June 30, 2021

	Primary Government			Discrete Component Units
	Governmental Activities	Business -Type Units	Total	
<b>Assets:</b>				
Cash and cash equivalents	\$ 629,675	\$ 187,201	\$ 816,876	\$ 28,666
Receivables	84,752	126,755	211,507	-
Internal balances	(69,808)	107,123	37,315	(37,315)
Restricted assets				-
Cash and cash equivalents	-	76,154	76,154	-
Investments	13,475	14,500	27,975	-
Assets held for sale	122,576			
Capital assets:				
Assets not being depreciated	1,943,330	102,715	2,046,045	7,000
Assets being depreciated, net	775,024	6,624,789	7,399,813	408,737
<b>Total assets</b>	<b>3,499,024</b>	<b>7,239,237</b>	<b>10,738,261</b>	<b>407,088</b>
<b>Liabilities:</b>				
Accounts payable	199,321	58,567	257,888	1,348
Unearned revenue	-	-	-	20,000
Noncurrent liabilities:				
Accrued compensated absences	44,783	36,306	81,089	3,360
Installment purchase agreements and bonds				
Due within one year	32,367	121,000	153,367	5,883
Due in more than one year	88,255	4,654,000	4,742,255	258,277
<b>Total liabilities</b>	<b>364,726</b>	<b>4,869,873</b>	<b>5,234,599</b>	<b>288,868</b>
<b>Net position:</b>				
Investment in cap. assets net of debt	2,597,732	1,969,304	4,567,036	151,577
Restricted	560,766	76,154	636,920	-
Unrestricted	(24,200)	323,906	299,706	(33,357)
<b>Total net position</b>	<b>\$ 3,134,298</b>	<b>\$ 2,369,364</b>	<b>\$ 5,503,662</b>	<b>\$ 118,220</b>

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

# City of Beaverton

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

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	
<b>Primary government</b>							
<b>Governmental activities:</b>							
General government	\$ 316,572	\$ 61,241	\$ 9,707	\$ (245,624)	\$ -	\$ (245,624)	\$ -
Public safety	416,234	8,746	1,250	(406,238)	-	(406,238)	-
Public works	377,721	58,228	2,769,056	2,449,563	-	2,449,563	-
Health and welfare	-	-	-	-	-	-	-
Community and economic development	62,059	-	-	(62,059)	-	-	-
Recreational and cultural	52,316	16,738	-	(35,578)	-	(35,578)	-
Interest on debt	6,910	-	-	(6,910)	-	(6,910)	-
Total Governmental Activities	1,231,812	144,953	2,780,013	1,693,154	-	1,693,154	-
<b>Business-type activities:</b>							
Hydroelectric	240,296	210,331	58,884	-	28,919	28,919	-
Sewer	940,915	295,272	256,215	-	(389,428)	(389,428)	-
Water	366,300	366,081	119,291	-	119,072	119,072	-
Building authority	18,255	-	-	-	(18,255)	-	-
Total Business-Type Activities	1,565,766	871,684	434,390	-	(259,692)	(241,437)	-
Total Primary Government	\$ 2,797,578	\$ 1,016,637	\$ 3,214,403	1,693,154	(259,692)	1,433,462	-
<b>Component unit</b>							
Downtown development authority	121,715	-	37,033				(84,682)
Total component units	121,715	-	37,033				(84,682)
<b>General purpose revenues:</b>							
Property taxes				405,782	-	405,782	57,287
Grants and contributions not restricted to specific programs				253,802	-	253,802	-
Unrestricted investment income				2,392	36	2,428	-
Other miscellaneous revenues				135,451	-	135,451	-
Transfers				(18,352)	18,352	-	-
Total General Purpose Revenues and Transfers				779,075	18,388	797,463	57,287
Change in Net Position				2,472,229	(241,304)	2,230,925	(27,395)
Net Position - Beginning of Year				662,069	2,610,668	3,272,737	145,615
Net Position - End of Year				\$ 3,134,298	\$ 2,369,364	\$ 5,503,662	\$ 118,220

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

# City of Beaverton

## Balance Sheet

### Governmental Funds

June 30, 2021

	Major Funds			Nonmajor Governmental	Total
	General	Major Streets	Local Streets	Campground	
<b>Assets</b>					
Cash and cash equivalents	\$ 321,414	\$ 25,229	\$ 294,295	\$ 10,281	\$ 651,219
Investments	13,475	-	-	-	13,475
Accounts receivable	11,604	-	-	-	11,604
Taxes receivable	48,423	-	-	-	48,423
Due from other governmental units	-	18,431	6,294	-	24,725
Due from other funds	136,156	186,124	90,149	89,845	502,274
Due from component unit	26,840	-	-	-	26,840
Assets held for sale	122,576	-	-	-	122,576
<b>Total assets</b>	<b>\$ 680,488</b>	<b>\$ 229,784</b>	<b>\$ 390,738</b>	<b>\$ 100,126</b>	<b>\$ 1,401,136</b>
<b>Liabilities</b>					
Accounts payable	\$ 23,584	\$ 259	\$ 665	\$ 1,433	\$ 25,941
Accrued liabilities	42,416	832	756	-	44,004
Due to other governmental units	122,576	-	-	-	122,576
Due to other funds	483,032	-	57,244	-	540,276
Unearned revenue	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>671,608</b>	<b>1,091</b>	<b>58,665</b>	<b>1,433</b>	<b>732,797</b>
<b>Fund balances</b>					
Nonspendable	-	-	-	-	-
Restricted for streets	-	228,693	332,073	-	560,766
Restricted for campground	-	-	-	98,693	98,693
Unassigned (deficit)	-	-	-	-	-
General fund	8,880	-	-	-	8,880
<b>Total Fund Balances</b>	<b>8,880</b>	<b>228,693</b>	<b>332,073</b>	<b>98,693</b>	<b>668,339</b>
<b>Total liabilities and fund balances</b>	<b>\$ 680,488</b>	<b>\$ 229,784</b>	<b>\$ 390,738</b>	<b>\$ 100,126</b>	<b>\$ 1,401,136</b>

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, 2021

Fund balances - total governmental funds	\$ 668,339
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	1,943,330
Capital assets being depreciated, net	775,024
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds	
Compensated absences	(44,783)
Installment purchase agreements	(120,622)
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	(93,255)
Net position of internal service fund	<u>6,265</u>
Net position of governmental activities	<u>\$ 3,134,298</u>



# City of Beaverton

## Statement of Revenues, Expenditures and Changes in Fund Balances

### Governmental Funds

*For the Year Ended June 30, 2021*

	Major Funds			Nonmajor Governmental	Total
	General	Major Streets	Local Streets	Campground	
<b>Revenues:</b>					
Property taxes	\$ 336,870	\$ 34,457	\$ 34,456	\$ -	\$ 405,783
Federal sources	41,667	-	726,000	-	767,667
State sources	614,682	681,246	346,032	-	1,641,960
Charges for services	127,753	-	-	68,230	195,983
Fines and forfeitures	9,996	-	-	-	9,996
Licenses and permits	2,650	-	-	-	2,650
Interest earned on deposits	2,343	36	12	1	2,392
Rent	8,454	-	-	-	8,454
Miscellaneous	137,336	-	-	-	137,336
<b>Total Revenues</b>	<b>1,281,751</b>	<b>715,739</b>	<b>1,106,500</b>	<b>68,231</b>	<b>3,172,221</b>
<b>Expenditures</b>					
General government	305,151	-	-	-	305,151
Public safety	393,923	-	-	-	393,923
Public works	154,428	868,908	1,015,594	-	2,038,930
Health and welfare	-	-	-	-	-
Community and economic development	62,059	-	-	-	62,059
Recreation and culture	19,316	-	-	21,689	41,005
Capital outlay	357,116	-	-	-	357,116
Debt service - principal	30,902	-	-	-	30,902
Debt service - interest	6,909	-	-	-	6,909
<b>Total Expenditures</b>	<b>1,329,804</b>	<b>868,908</b>	<b>1,015,594</b>	<b>21,689</b>	<b>3,235,995</b>
Excess of revenues over (under) expenditures	(48,053)	(153,169)	90,906	46,542	(63,774)
<b>Other financing sources (uses):</b>					
Bond proceeds	-	425,000	118,000	-	543,000
Transfer from other funds	11,255	-	-	-	11,255
Transfer to other funds	(18,352)	-	-	-	(18,352)
<b>Total other financing sources (uses):</b>	<b>(7,097)</b>	<b>425,000</b>	<b>118,000</b>	<b>-</b>	<b>535,903</b>
Net changes in fund balances	(55,150)	271,831	208,906	46,542	472,129
Fund balances (deficits) - beginning of year	64,030	(43,138)	123,167	52,151	196,210
Fund balances (deficits) - end of year	<u>\$ 8,880</u>	<u>\$ 228,693</u>	<u>\$ 332,073</u>	<u>\$ 98,693</u>	<u>\$ 668,339</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, 2021*

Net change in fund balances - total governmental funds	\$ 472,129
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	2,111,297
Asset disposals net of depreciation	-
Depreciation expense	(80,562)
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	-
Increase in accrued interest	-
Principal payments	30,901
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	(10,229)
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.	(37,903)
Net operating income from governmental internal service funds allocated to business-type activities.	<u>(13,404)</u>
Change in net position of governmental activities	<u>\$ 2,472,229</u>

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

# City of Beaverton

## Statement of Net Position Proprietary Funds June 30, 2021

<u>Assets</u>	Major Enterprise Funds				Total	Internal Service Fund
	Hydroelectric Fund	Sewer Fund	Water Fund	Building Authority Fund		Equipment
<b>Current assets:</b>						
Cash and cash equivalents	\$ 138,478	\$ -	\$ 374,957	\$ 25,507	\$ 538,942	\$ -
Accounts receivable	-	55,789	69,706	-	125,495	-
Special assessment receivable	-	583	677	-	1,260	-
Due from other funds	145,441	104,282	106,753	-	356,476	-
Total Current Assets	<u>283,919</u>	<u>160,654</u>	<u>552,093</u>	<u>25,507</u>	<u>1,022,173</u>	<u>-</u>
<b>Noncurrent Assets:</b>						
Investments	-	14,500	-	-	14,500	-
<b>Restricted assets:</b>						
USDA repair, replacement & improvement (RRI)	-	-	-	-	-	-
USDA bond reserve	59,354	16,800	-	-	76,154	-
<b>Capital Assets:</b>						
Nondepreciable capital assets	-	102,115	600	-	102,715	-
Depreciable capital assets, net	1,375,900	2,562,921	2,084,085	601,883	6,624,789	104,658
Total Noncurrent Assets	<u>1,435,254</u>	<u>2,696,336</u>	<u>2,084,685</u>	<u>601,883</u>	<u>6,818,158</u>	<u>104,658</u>
Total Assets	<u>1,719,173</u>	<u>2,856,990</u>	<u>2,636,778</u>	<u>627,390</u>	<u>7,840,331</u>	<u>104,658</u>
<b>Liabilities</b>						
<b>Current Liabilities:</b>						
Checks issued in excess of pooled cash	-	351,741	-	-	351,741	21,544
Accounts payable	2,943	5,031	7,904	-	15,878	2,745
Accrued liabilities	743	2,322	2,669	-	5,734	447
Accrued interest	8,148	13,870	9,653	5,284	36,955	-
Due to other funds	68,200	37,977	129,772	-	235,949	72,050
<b>Current portion of long-term debt:</b>						
Accrued compensated absences	5,596	14,812	15,898	-	36,306	1,607
Revenue bonds	34,000	56,000	19,000	12,000	121,000	-
Total Current Liabilities	<u>119,630</u>	<u>481,753</u>	<u>184,896</u>	<u>17,284</u>	<u>803,563</u>	<u>98,393</u>
<b>Noncurrent Liabilities:</b>						
Revenue bonds/note payable	1,204,000	2,013,000	917,000	520,000	4,654,000	-
Total Liabilities	<u>1,323,630</u>	<u>2,494,753</u>	<u>1,101,896</u>	<u>537,284</u>	<u>5,457,563</u>	<u>98,393</u>
<b>Net position</b>						
Invested in capital assets net of related debt	137,900	612,836	1,148,685	69,883	1,969,304	104,658
Restricted for debt	59,354	16,800	-	-	76,154	-
Unrestricted	198,289	(267,399)	386,197	20,223	337,310	(98,393)
Total Net Position	<u>\$ 395,543</u>	<u>\$ 362,237</u>	<u>\$ 1,534,882</u>	<u>\$ 90,106</u>	<u>2,382,768</u>	<u>\$ 6,265</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund					<u>(13,404)</u>	
Net position of business-type activities on the government-wide statement of net position					<u>\$ 2,369,364</u>	

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

# City of Beaverton

## Statement of Revenues, Expenses and Changes in Fund Net Position For the Year Ended June 30, 2021

	Major Enterprise Funds				Total	Internal
	Hydroelectric Fund	Sewer Fund	Water Fund	Building Authority Fund		Service Fund Equipment
Operating revenues						
Charges for services	\$ 210,331	\$ 295,272	\$ 366,081	\$ -	\$ 871,684	\$ 44,322
Operating expenses:						
Salaries	36,161	114,331	130,998	-	281,490	20,901
Payroll taxes	2,533	8,091	9,300	-	19,924	1,550
Employee benefits	13,938	42,748	46,986	-	103,672	7,622
Supplies	1,845	5,903	10,460	-	18,208	23,165
Postage	-	2,790	4,739	-	7,529	-
Telephone	4,301	10,872	4,598	-	19,771	-
Utilities	2,107	35,287	11,809	-	49,203	-
Repairs and maintenance	10,104	7,575	14,976	-	32,655	42,118
Contracted services	28,074	20,087	6,085	-	54,246	-
Equipment rental	1,807	20,607	-	-	22,414	-
Miscellaneous	5,920	12,946	11,374	-	30,240	-
Depreciation	87,827	66,279	74,203	7,619	235,928	31,982
Total Operating Expenses	<u>194,617</u>	<u>347,516</u>	<u>325,528</u>	<u>7,619</u>	<u>875,280</u>	<u>127,338</u>
Operating Income (loss)	15,714	(52,244)	40,553	(7,619)	(3,596)	(83,016)
Nonoperating revenues (expenses)						
Interest earned on deposits	6	7	23	-	36	1
Interest expense	(44,068)	(38,608)	(40,770)	(10,636)	(134,082)	-
Other revenue	58,884	256,215	119,291	-	434,390	54,342
Other expenses	-	(543,000)	-	-	(543,000)	-
Total nonoperating revenues (expenses)	<u>14,822</u>	<u>(325,386)</u>	<u>78,544</u>	<u>(10,636)</u>	<u>(242,656)</u>	<u>54,343</u>
Income Before Transfers	<u>30,536</u>	<u>(377,630)</u>	<u>119,097</u>	<u>(18,255)</u>	<u>(246,252)</u>	<u>(28,673)</u>
Other financing sources (uses):						
Transfers in	-	-	-	18,352	18,352	-
Transfers out	-	-	-	-	-	(11,255)
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,352</u>	<u>18,352</u>	<u>(11,255)</u>
Change in net position	30,536	(377,630)	119,097	97	(227,900)	(39,928)
Net position, beginning of year	<u>365,007</u>	<u>739,867</u>	<u>1,415,785</u>	<u>90,009</u>	<u>2,610,668</u>	<u>46,193</u>
Net position, end of year	<u>\$ 395,543</u>	<u>\$ 362,237</u>	<u>\$ 1,534,882</u>	<u>\$ 90,106</u>	<u>\$ 2,382,768</u>	<u>\$ 6,265</u>
Adjustments to reflect the consolidation of internal service fund activities related to the enterprise funds					<u>(13,404)</u>	
Change in net position of business-type activities					<u>\$ 2,369,364</u>	

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

# City of Beaverton

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended June 30, 2021

	Major Enterprise Funds			Nonmajor Enterprise Fund	Total	Internal Service Fund
	Hydroelectric Fund	Sewer Fund	Water Fund	Building Authority Fund		Equipment
Cash flows from operating activities						
Cash received from customers	\$ 210,331	\$ 296,772	\$ 365,267	\$ -	\$ 872,370	\$ -
Other operating cash receipts	-	-	-	-	-	44,322
Cash effects of interfund balances	(55,807)	(259,331)	162,844	-	(152,294)	46,604
Cash payments to suppliers for goods and services	(54,981)	(116,890)	(58,955)	-	(230,826)	(66,146)
Cash payments to employees for services and fringes	(50,026)	(158,197)	(179,771)	-	(387,994)	(29,719)
Net cash provided (used) by operating activities	49,517	(237,646)	289,385	-	101,256	(4,939)
Cash flows from noncapital and related financing activities						
Transfer to/from other funds	-	-	-	18,352	18,352	(11,255)
Miscellaneous revenues/receipts	58,884	256,215	119,291	-	434,390	54,342
Uses/funding of bond restricted cash	-	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	58,884	256,215	119,291	18,352	452,742	43,087
Cash flows from capital and related financing activities						
Acquisition of capital assets	-	(1,130,188)	-	-	(1,130,188)	(60,494)
Proceeds from sale of capital assets	-	-	-	-	-	-
Proceeds from issuance of long-term debt	-	881,000	-	-	-	-
Debt payments						
Interest paid on bonds	(50,082)	(33,350)	(41,390)	(5,352)	(130,174)	-
Principal payments on bonds	(33,000)	(44,000)	(30,000)	(13,000)	(120,000)	-
Net cash provided (used) by capital and related financing activities	(83,082)	(326,538)	(71,390)	(18,352)	(499,362)	(60,494)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest on investments	6	7	23	-	36	1
Net increase (decrease) in cash	25,325	(307,962)	337,309	-	54,672	(22,345)
Cash/ Restricted Cash beginning of year	172,507	(12,479)	37,648	25,507	223,183	801
Cash/Restricted Cash end of year	\$ 197,832	\$ (320,441)	\$ 374,957	\$ 25,507	\$ 277,855	\$ (21,544)
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Income (loss) from operations	\$ 15,714	\$ (52,244)	\$ 40,553	\$ (7,619)	\$ (3,596)	\$ (83,016)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:						
Depreciation	87,827	66,279	74,203	7,619	235,928	31,982
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	-	1,500	(814)	-	686	-
(Increase) decrease in due from other funds	(24,007)	(102,874)	34,480	-	-	-
Increase (decrease) in accounts payable	(823)	(823)	5,086	-	3,440	(863)
Increase (decrease) in accrued expenses	89	310	362	-	761	56
Increase (decrease) in due to other funds	(31,800)	(156,457)	128,364	-	-	46,604
Increase (decrease) in compensated absences	2,517	6,663	7,151	-	16,331	298
Net Cash Provided (Used) in Operating Activities	\$ 49,517	\$ (237,646)	\$ 289,385	\$ -	\$ 253,550	\$ (4,939)

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

# City of Beaverton

## Notes to the Financial Statements

*June 30, 2021*

### **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' 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' 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, 2021*

### **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 Tabacco 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, 2021

### **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.

#### **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.



# City of Beaverton

## Notes to the Financial Statements

*June 30, 2021*

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 2020 taxable valuation of the City totaled \$18,853,780, 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.

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.

# City of Beaverton

## Notes to the Financial Statements

*June 30, 2021*

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.

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.

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.

**City of Beaverton**  
**Notes to the Financial Statements**  
*June 30, 2021*

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, 2021*

**D: 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".

**Assets Held for Sale/ Due to Other Governments**

During the year the City constructed a modular house using proceeds from a MSHDA revolving loan grant. The modular house is accounted for at cost and is reported as an asset held for sale, with an equal amount reported as due to other governments, as the amount drawn from the revolving loan grant is payable to MSHDA upon sale of the modular house.

**City of Beaverton**  
**Notes to the Financial Statements**  
*June 30, 2021*

**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, 2021*

### **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, 2021*

**Note 2. Stewardship, Compliance, and Accountability:**

**Budgetary Information**

The Township 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 Township Supervisor submits to the Township Board 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 Township Clerk 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					
Capital Outlay	\$	-	\$	357,116	\$ 357,116

**Deficit Fund Equity**

At year-end, the Sewer Enterprise Fund and the Equipment Internal Service Fund had deficits in unrestricted net position of \$267,399 and \$98,393, respectively and the DDA component unit had a deficit fund balance of \$29,997. 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, 2021*

**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	\$ 816,876
Cash and cash equivalents restricted	76,154
Investment	27,975
Component Unit	
Cash and cash equivalents	28,666
 Total	 \$ 949,671
 Notes to Financial Statements:	
Cash on hand	\$ 100
Deposits (checking/savings accounts)	921,596
Certificates of deposit	27,975
 Total	 \$ 949,671

**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.



**City of Beaverton**  
**Notes to the Financial Statements**  
*June 30, 2021*

*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, \$912,327 of the City's bank balance of \$1,162,327 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.

**Note 4. Receivables**

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

	Governmental Activities	Business-type Activities
Accounts	\$ 11,604	\$ 125,495
Taxes and special assessments	48,423	1,260
Intergovernmental	24,725	
Total	<u>\$ 84,752</u>	<u>\$ 126,755</u>

**City of Beaverton**  
**Notes to the Financial Statements**  
*June 30, 2021*

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2021, was as follows:

<b>Governmental Activities</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 221,131	-	-	221,131
Construction in Progress	-	1,722,199	-	1,722,199
<b>Total</b>	<u>221,131</u>	<u>1,722,199</u>	<u>-</u>	<u>1,943,330</u>
Capital assets being depreciated				
Building and improvements	928,889	357,116	-	1,286,005
Furniture and equipment	1,238,367	60,494	-	1,298,861
Infrastructure	132,261	-	-	132,261
<b>Total assets being depreciated</b>	<u>2,299,517</u>	<u>417,610</u>	<u>-</u>	<u>2,717,127</u>
Less accumulated depreciation				
Building and improvements	(750,995)	(17,435)	-	(768,430)
Furniture and equipment	(1,025,217)	(58,994)	-	(1,084,211)
Infrastructure	(85,328)	(4,133)	-	(89,461)
<b>Total accumulated depreciation</b>	<u>(1,861,540)</u>	<u>(80,562)</u>	<u>-</u>	<u>(1,942,102)</u>
<b>Net assets being depreciated</b>	<u>437,977</u>	<u>337,048</u>	<u>-</u>	<u>775,025</u>
<b>Capital assets net of depreciation</b>	<u>\$ 659,108</u>	<u>\$ 2,059,247</u>	<u>\$ -</u>	<u>\$ 2,718,355</u>

Governmental Activities

General government	\$ 11,175
Public safety	13,469
Public works	11,311
Culture and recreation	16,913
Capital assets held by the City's internal service funds are charged to various functions based on their usage.	31,982
<b>Total governmental activities</b>	<u>\$ 84,850</u>

**City of Beaverton**  
**Notes to the Financial Statements**  
*June 30, 2021*

<b>Business-type Activities</b>	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 102,715	\$ -	\$ -	\$ 102,715
Construction in progress	266,502	-	(266,502)	-
<b>Total</b>	<b>369,217</b>	<b>-</b>	<b>(266,502)</b>	<b>102,715</b>
Capital assets being depreciated				
Buildings	-	609,502	-	609,502
Equipment	425,377	-	-	425,377
Infrastructure	9,944,440	1,118,214	-	11,062,654
<b>Total</b>	<b>10,369,817</b>	<b>1,727,716</b>	<b>-</b>	<b>12,097,533</b>
Less accumulated depreciation				
Buildings	-	(7,619)	-	(7,619)
Equipment	(400,958)	(10,431)	-	(411,389)
Infrastructure	(4,835,859)	(217,878)	-	(5,053,737)
<b>Total</b>	<b>(5,236,817)</b>	<b>(235,928)</b>	<b>-</b>	<b>(5,472,745)</b>
Net assets being depreciated	<u>5,133,000</u>	<u>1,491,788</u>	<u>-</u>	<u>6,624,788</u>
Capital assets net of depreciation	<u>\$ 5,502,217</u>	<u>\$ 1,491,788</u>	<u>\$ -</u>	<u>\$ 6,727,503</u>

Business-type Activities	
Hydroelectric	\$ 87,827
Sewer	90,715
Water	74,203
Building Authority	7,619
<b>Total Business-type Activities</b>	<b>\$ 260,364</b>

**City of Beaverton**  
**Notes to the Financial Statements**  
*June 30, 2021*

<b>Discretely Presented Component Unit</b>	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	(272,062)	(67,403)		(339,465)
Net assets being depreciated	476,142			476,142
Capital assets net of depreciation	\$ 483,142	\$ -	\$ -	\$ 483,142

**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	\$ 25,941	\$ 15,878	\$ 835
Accrued liabilities	42,416	5,734	513
Due to other governments	122,576	-	-
Accrued interest payable	-	36,955	-
Total	\$ 190,933	\$ 58,567	\$ 1,348

**City of Beaverton**  
**Notes to the Financial Statements**  
*June 30, 2021*

**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	63,082
General fund	Internal Service Fund	72,050
Major streets fund	General Fund	128,880
Major streets fund	Local Street Fund	57,244
Local street fund	General Fund	26,564
Local street fund	Water Fund	63,585
Hydroelectric fund	General Fund	134,966
Hydroelectric fund	DDA Component Unit	10,475
Sewer Fund	General Fund	101,753
Water Fund	Hydroelectric fund	68,200
Water Fund	Sewer	35,448
		<u>\$ 789,087</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	\$ 11,255
Building authority	General fund	18,352
		<u>\$ 29,607</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, 2021*

**Note 7. 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	\$ 53,322	\$ -	\$ (5,641)	\$ 47,681	\$ 5,798
2019 418 Ross Street land contract, interest of 6% matures January 2024	57,134	-	(15,531)	41,603	16,489
2019 Tahoe Police vehicle installment purchase agreement, interest of 3.59% matures June 2024	41,067	-	(9,730)	31,337	10,080
Total installment debt	<u>151,523</u>	<u>-</u>	<u>(30,902)</u>	<u>120,621</u>	<u>32,367</u>
Compensated absences	<u>34,554</u>	<u>10,229</u>	<u>-</u>	<u>44,783</u>	<u>-</u>
Total	<u><u>\$ 186,077</u></u>	<u><u>\$ 10,229</u></u>	<u><u>\$ (30,902)</u></u>	<u><u>\$ 165,404</u></u>	<u><u>\$ 32,367</u></u>

**City of Beaverton**  
**Notes to the Financial Statements**  
*June 30, 2021*

**Business-type activities**

	Beginning Balance	Increases	(Decreases)	Ending Balance	Due Within One Year
Revenue bonds:					
1984 Water line interest of 7.125% matures March 2022	\$ 6,000	\$ -	\$ (6,000)	\$ -	\$ -
1987 Water line, interest of 7.125% matures March 2022	6,000	-	(6,000)	-	-
2007 Water line, interest of 4.125% matures April 2047	954,000	-	(18,000)	936,000	19,000
1992 Wastewater plant, interest of 5% matures March 2032	689,000	-	(44,000)	645,000	56,000
2020 Wastewater lift station, interest of 1.125% matures August 2061	-	118,000	-	118,000	2,000
2020 Wastewater system , interest of 1.125% matures August 2061	-	881,000	-	881,000	17,000
2020 Wastewater system , interest of 2.125% matures October 2050	-	425,000	-	425,000	10,000
2010 Dam renovation, interest of 4.375% matures September 2049	971,000	-	(17,000)	954,000	17,000

**City of Beaverton**  
**Notes to the Financial Statements**  
*June 30, 2021*

2019 Dam renovation, interest of 2.73% matures November 2034	300,000	-	(16,000)	284,000	17,000
2020 Building Authority, interest of 3% matures February 2050	202,000	343,000	(13,000)	532,000	12,000
Total installment	<u>3,128,000</u>	<u>1,767,000</u>	<u>(120,000)</u>	<u>4,775,000</u>	<u>150,000</u>
Compensated absences	19,975	16,330	-	36,305	-
Total	<u>\$ 3,147,975</u>	<u>\$ 1,783,330</u>	<u>\$ (120,000)</u>	<u>\$ 4,811,305</u>	<u>\$ 150,000</u>

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
2022	\$ 32,367	\$ 4,463	\$ 150,000	\$ 154,783
2023	33,907	2,921	152,000	149,221
2024	24,555	1,464	158,000	140,545
2025	6,301	787	161,000	137,685
2026	6,479	611	164,000	131,692
2027-2031	17,003	716	900,000	563,287
2032-2036	-	-	696,000	412,027
2037-2041	-	-	662,000	308,962
2042-2046	-	-	781,000	193,291
2047-2051	-	-	650,000	62,626
2052-2056	-	-	142,000	16,361
2057-2061	-	-	159,000	6,297
Total	<u>\$ 120,612</u>	<u>\$ 10,962</u>	<u>\$ 4,775,000</u>	<u>\$ 2,276,777</u>



**City of Beaverton**  
**Notes to the Financial Statements**  
*June 30, 2021*

<b>Component Unit (DDA)</b>	Beginning Balance	Increases	(Decreases)	Ending Balance	Due Within One Year
Land contract	\$ 269,276	\$ -	\$ (5,116)	\$ 264,160	\$ 5,883

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
2022	\$ 5,883	\$ 14,382
2023	6,215	14,050
2024	6,565	13,700
2025	6,936	13,329
2026	7,327	12,938
2027-2031	43,320	58,005
2032-2036	56,996	44,328
2037-2041	74,992	26,333
2042-2044	55,926	4,869
Total	<u>\$ 264,160</u>	<u>\$ 201,934</u>

**Note 8. 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, 2021*

### **Note 9. 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 \$2,000 under these programs.

### **Note 10. 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 \$39,935 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, 2021*

### **Note 11. 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 12. 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 13. 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, 2021*

**Note 14. Management Review**

Management has evaluated subsequent events and transactions for potential recognition and disclosure through December 28, 2021 the date these financial statements were available to be issued.

## **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, 2021

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues:</b>				
Property taxes	\$ 354,389	\$ 412,366	\$ 336,870	\$ (75,496)
Federal sources	141,667	\$ 18,400	41,667	23,267
State sources	175,693	273,893	614,682	340,789
Charges for services	97,770	119,978	127,753	7,775
Fines and forfeitures	9,150	10,480	9,996	(484)
Licenses and permits	950	2,350	2,650	300
Interest earned on deposits	3,263	2,363	2,343	(20)
Rent	8,000	8,500	8,454	(46)
Miscellaneous	3,680	357,180	137,336	(219,844)
<b>Total Revenues</b>	<b>794,562</b>	<b>1,205,510</b>	<b>1,281,751</b>	<b>76,241</b>
<b>Expenditures:</b>				
<b>General government -</b>				
City council	17,475	35,600	32,751	2,849
City manager	23,272	45,805	42,099	3,706
Finance and administration	59,872	251,890	116,141	135,749
Clerk	25,220	29,641	24,892	4,749
Board of Review	644	1,017	892	125
Treasurer	24,066	27,055	22,131	4,924
Assessor	11,565	14,170	13,144	1,026
Elections	5,930	6,465	4,258	2,207
Building an grounds	11,155	58,818	48,843	9,975
<b>Total general government</b>	<b>179,199</b>	<b>470,461</b>	<b>305,151</b>	<b>165,310</b>
<b>Public safety -</b>				
Police	286,233	321,190	288,782	32,408
Fire protection contract	35,150	87,350	77,549	9,801
Building inspection department	-	29,000	27,592	1,408
<b>Total public safety</b>	<b>321,383</b>	<b>437,540</b>	<b>393,923</b>	<b>43,617</b>
<b>Public works -</b>				
Public works	117,926	144,295	135,520	8,775
Cemetery	1,975	2,413	857	1,556
Street lights	17,835	18,000	18,051	(51)
<b>Total public works</b>	<b>137,736</b>	<b>164,708</b>	<b>154,428</b>	<b>10,280</b>
<b>Health and welfare -</b>				
Mosquito control	-	-	-	-

# City of Beaverton

## Schedule of Revenues, Expenditures and Changes in Fund Balance

### Budget and Actual

#### General Fund

*For the Year Ended June 30, 2021*

Community and economic development -				
Planning	6,000	24,300	17,423	6,877
Civic betterment	<u>2,454</u>	<u>49,454</u>	<u>44,636</u>	<u>4,818</u>
Total community and economic development	<u>8,454</u>	<u>73,754</u>	<u>62,059</u>	<u>11,695</u>
Recreation and culture	<u>125,065</u>	<u>30,445</u>	<u>19,316</u>	<u>11,129</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>357,116</u>	<u>(357,116)</u>
Debt service -				
Principal	33,931	33,931	30,902	3,029
Interest	<u>14,513</u>	<u>14,513</u>	<u>6,909</u>	<u>7,604</u>
Total debt service	<u>48,444</u>	<u>48,444</u>	<u>37,811</u>	<u>10,633</u>
Total Expenditures	<u>820,281</u>	<u>1,225,352</u>	<u>1,329,804</u>	<u>(104,452)</u>
Other financing sources (uses) -				
Transfers in	38,006	38,006	11,255	(26,751)
Transfers out	<u>-</u>	<u>-</u>	<u>(18,352)</u>	<u>(18,352)</u>
Other financing sources (uses) -	<u>38,006</u>	<u>38,006</u>	<u>(7,097)</u>	<u>(45,103)</u>
Net change in fund balance	12,287	18,164	(55,150)	73,314
Fund balance - beginning of year	<u>357,822</u>	<u>256,660</u>	<u>64,030</u>	<u>-</u>
Fund balance - end of year	<u>\$ 370,109</u>	<u>\$ 274,824</u>	<u>\$ 8,880</u>	<u>\$ 73,314</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, 2021*

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 34,126	\$ 34,126	\$ 34,457	\$ 331
Federal sources	809,450	809,450	-	(809,450)
State sources	1,327,386	1,327,386	681,246	(646,140)
Interest earned on deposits	30	30	36	6
Total Revenues	2,170,992	2,170,992	715,739	(1,455,253)
<b>Expenditures</b>				
Public works -				
Salaries	44,216	44,216	38,399	5,817
Payroll taxes	4,000	4,000	2,890	1,110
Employee benefits	9,586	9,586	17,105	(7,519)
Supplies	2,594,971	2,594,971	803,927	1,791,044
Utilities	-	-	-	-
Repairs and maintenance	5,000	5,000	6,587	(1,587)
Equipment rental	6,000	6,000	-	6,000
Total public works	2,663,773	2,663,773	868,908	1,794,865
Excess revenues over (under) expenditures	(492,781)	(492,781)	(153,169)	339,612
<b>Other financing sources (uses)</b>				
Transfers out	-	-	-	-
Bond proceeds	493,663	493,663	425,000	(68,663)
Total other financing sources	493,663	493,663	425,000	(68,663)
Excess (deficiency) of revenues over expenditures and other uses	882	882	271,831	270,949
Fund balance - beginning of year	(19,373)	(43,138)	(43,138)	(54,170)
Fund balance - end of year	\$ (18,491)	\$ (42,256)	\$ 228,693	\$ 216,779



# City of Beaverton

## Schedule of Revenues, Expenditures and Changes in Fund Balance

### Budget and Actual

### Local Streets Fund

*For the Year Ended June 30, 2021*

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 34,126	\$ 34,126	\$ 34,456	\$ 330
Federal sources	-	-	726,000	726,000
State sources	1,039,295	1,039,295	346,032	(693,263)
Interest earned on deposits	20	20	12	(8)
Total Revenues	1,073,441	1,073,441	1,106,500	33,059
<b>Expenditures</b>				
Public works -				
Salaries	30,706	35,000	34,878	122
Payroll taxes	2,300	2,600	2,621	(21)
Employee benefits	9,585	14,448	14,754	(306)
Supplies	1,503,330	1,514,443	958,902	555,541
Utilities	-	-	-	-
Repairs and maintenance	2,900	2,900	4,439	(1,539)
Equipment rental	4,000	4,000	-	4,000
Total public works	1,552,821	1,573,391	1,015,594	557,797
Excess revenues over (under) expenditures	(479,380)	(499,950)	90,906	590,856
<b>Other financing sources (uses)</b>				
Transfers out	-	-	-	-
Bond proceeds	999,000	999,000	118,000	(881,000)
Total other financing sources	999,000	999,000	118,000	(881,000)
Excess (deficiency) of revenues over expenditures and other uses	519,620	499,050	208,906	(290,144)
Fund balance - beginning of year	110,239	123,167	123,167	(54,170)
Fund balance - end of year	\$ 629,859	\$ 622,217	\$ 332,073	\$ (344,314)

# City of Beaverton

## Balance Sheet and Statement of Net Position

### Downtown Development Authority Component Unit

For the Year Ended June 30, 2021

	Downtown Development Authority	Adjustments	Statement of Net Position
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and investments	\$ 28,666	\$ -	\$ 28,666
Accounts receivable	-	-	-
Due from primary	-	-	-
Capital assets:			
Nondepreciable capital assets	-	7,000	7,000
Depreciable capital assets, net	-	408,737	408,737
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 28,666</u>	<u>\$ 415,737</u>	<u>\$ 444,403</u>
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Current liabilities -			
Accounts payable	\$ 835	\$ -	\$ 835
Accrued liabilities	513	-	513
Due to primary government	37,315	-	37,315
Unearned revenue	20,000	-	20,000
Noncurrent liabilities -			
Accrued compensated absences	-	3,360	3,360
Due within one year	-	5,883	5,883
Due in more than one year	-	258,277	258,277
Total liabilities	<u>58,663</u>	<u>267,520</u>	<u>326,183</u>
Fund balance (deficit)	<u>(29,997)</u>	<u>29,997</u>	<u>-</u>
Unassigned			
Total liabilities and fund balance	<u>\$ 28,666</u>		
<b>Net position</b>			
Net Investment in capital assets		151,577	151,577
Unrestricted		(33,357)	(33,357)
Total Net Position		<u>\$ 118,220</u>	<u>\$ 118,220</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, 2021

	Downtown Development Authority	Adjustments	Statement of Net Position
Revenues			
Property taxes	\$ 57,287	\$ -	\$ 57,287
State revenue - LCSA	-	-	-
Charges for services	16,500	-	16,500
Other revenue	20,531	-	20,531
Interest	2	-	2
	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>\$ 94,320</u>	<u>\$ -</u>	<u>\$ 94,320</u>
Expenditures/expenses			
Community and economic development	39,162	-	39,162
Capital outlay	-	-	-
Debt service -			
Principal	5,116	(5,116)	-
Interest	15,148	-	15,148
Depreciation	-	67,405	67,405
	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures/expenses	59,426	62,289	121,715
Excess (deficiency) of revenues over (under) expenditures/expenses	34,894	(62,289)	(27,395)
Other financing sources (uses)			
Transfers in - primary government	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Net change in fund balance/net position	34,894	(62,289)	(27,395)
Fund balance (deficit)/net position -			
Beginning of year	(64,891)	112,623	145,615
End of year	<u>\$ (29,997)</u>	<u>\$ 50,334</u>	<u>\$ 118,220</u>

## **Reports on Compliance**

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

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Award/Project#</u>	<u>Program or Award Amount</u>	<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
United States Department of Agriculture						
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ 1,725,000	\$ -	\$ 1,725,000	\$ 1,725,000
Community Facilities Loans and Grants	10.766	N/A	587,277	<u>202,000</u>	<u>385,277</u>	<u>587,277</u>
				<u>202,000</u>	<u>2,110,277</u>	<u>2,312,277</u>
United States Department of Justice						
Public Safety Partnership and Community Policing Grants	16.710	2020UMWX0400	125,000	<u>-</u>	<u>41,667</u>	<u>41,667</u>
<b>Total Federal Expenditures</b>				<u>\$ 202,000</u>	<u>\$ 2,151,944</u>	<u>\$ 2,353,944</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, 2021*

**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, 2021. 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 City of Beaverton had the following loan balances outstanding at June 30, 2021 is as follows:

<i>Federal Grants/Pass-Through Grantor/Program Title</i>	<i>Assistance Listing Number</i>	<i>Beginning Amount</i>	<i>New Loans</i>	<i>Repayments</i>	<i>Ending Balance</i>
<b>US Department of Agriculture</b>					
Water and Waste Disposal Systems for Rural Communities Community Facilities Loans and Grants	10.760  10.766	\$ -  <u>202,000</u>	\$ 999,000  <u>343,000</u>	\$ -  <u>(13,000)</u>	\$ 999,000  <u>532,000</u>
Total USDA		<u>\$ 202,000</u>	<u>\$ 1,342,000</u>	<u>\$ (13,000)</u>	<u>\$ 1,531,000</u>

**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, 2021:

Enterprise funds (Sewer Fund) increase in long-term debt	\$ 999,000
Enterprise funds (Building Authority Fund) increase in long-term debt	343,000
Governmental funds (General Fund) federal sources	41,667
Governmental funds (Local Streets Fund) federal sources	726,000
Internal service fund other revenues	<u>42,277</u>
	<u>\$ 2,151,944</u>



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American Institute of C.P.A.'s  
Michigan Association of C.P.A.'s

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

To the City Council  
City of Beaverton  
Beaverton, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Beaverton, State of Michigan, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Beaverton's basic financial statements, and have issued our report thereon dated December 28, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Beaverton's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Beaverton's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 2021-001, 2021-002, 2021-003, 2021-004, and 2021-005 that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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.

**City of Beaverton, Michigan's Responses to the Findings**


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

**Purpose of this Report**

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

Sincerely,

Quast, Janke and Company



---

Certified Public Accountants, P.C.  
December 28, 2021



*Partners:*  
*Timothy J. Quast, C.P.A.*  
*David G. Gwizdala, C.P.A.*  
*Robert E. Friske, C.P.A.*

*Members:*  
*American Institute of C.P.A.'s*  
*Michigan Association of C.P.A.'s*

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

City Council  
City of Beaverton  
Beaverton, Michigan

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

**Opinion on Each Major Federal Program**

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 each of its major federal programs for the year ended June 30, 2021.

### Report on Internal Control Over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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. *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 consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did identify certain deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2021-006 that we consider to be material weaknesses.

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.

Sincerely,

QUAST, JANKE AND COMPANY



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Certified Public Accountants, P.C  
Bay City, Michigan 48708  
December 28, 2021

**CITY OF BEAVERTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended June 30, 2021*

**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>	

Noncompliance material to financial statements noted:

*Federal Awards*

Internal control over major programs:

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

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>
10.760	Water and Waste Disposal Systems for Rural Communities

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, 2021*

**Section II. Financial Statement Audit Findings**

**2021-01 Material Audit Adjustments / Recording, Processing and Summarizing Certain Accounting Data** (*repeated from prior year*)

Material weakness in internal control over financial reporting.

**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).

**Condition:**

The City's controls over the recording, processing, and summarizing of certain financial activity and accounting data was not sufficient to prevent and detect material misstatements in the financial statements. As a result of our audit procedures, we identified and proposed several material adjustments to various asset, liability, equity, revenue and expenditure / expense accounts, impacting all opinion units (which were approved and posted by management) to adjust the balances in many of the City's accounts.

**Cause:**

The City's internal controls were not sufficiently designed or implemented to detect adjustments that were necessary to report properly adjusted account balances.

**Effect:**

Initially, many of the City's account balances that were offered for the audit were materially misstated. Appropriate adjustments were subsequently posted to reflect accurate account balances in the financial statements. Interim financial statements that were presented to management during the year contained account balances that were materially misstated.

**View of Responsible Officials:**

The City continues to make significant adjustments to correct this deficiency. The City will be approving a new month-end policy to maintain financial adjustments within the month incurred. In addition, this month-end process will position the City for the annual audit. The City is investing in training for employees to reinforce best practices.

**CITY OF BEAVERTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended June 30, 2021*

**2021-02 Reconciliations** *(repeated from prior year)*

Material weakness in internal control over financial reporting.

**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.

**Condition:**

Several cash, receivable, capital assets, payable, revenue, expenditure and inter-fund accounts were not properly reconciled to their appropriate balance and supportive documentation.

**Cause:**

The City's internal controls were not sufficiently designed or implemented to ensure that significant account balances were properly reconciled in a timely manner.

**Effect:**

The City's internal accounting records did not properly reflect the financial position of the City's financial resources. This situation increases the risk that misstatements, whether caused by error or fraud could occur and not be detected in a timely manner.

**View of Responsible Officials:**

The City continues to make significant adjustments to correct this deficiency. The City will be coordinating with BS&A Software to consolidate funds into a pooled account, where allowed. This future consolidation will make the reconciliation process more efficient and timely. Also, the City will coordinate with BS&A support staff to track Accounts Payable, Payroll Remittance expenses, etc. to improve how these expenses are hitting the general ledger.

**CITY OF BEAVERTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended June 30, 2021*

**2021-03**    **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, 2021*

**2021-04 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, 2021*

**2021-05 Manual Adjustments to the General Ledger Accounting System** *(repeated from prior year)*

Material weakness in internal control over financial reporting.

**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.

**Condition:**

The City does not have policies and procedures in place to ensure that there is a meaningful and effective accumulation of adequate supportive documentation for manual adjustments to the general ledger accounting system

**Cause:**

An adequate framework of protocols related to manual adjustments to the general ledger accounting system has not been developed.

**Effect:**

The information that was utilized to prepare and support manual adjustments to the general ledger accounting system cannot always be retrieved and / or do not provide reasonable explanation of the reason purpose or support for the transaction.

**View of Responsible Officials:**

The City has made significant progress in addressing this issue. The City will be adding a formal month-end process to address this issue. As the tenure of the current administrative team increases, the deficiencies in policy & procedure will be resolved over time.



**CITY OF BEAVERTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended June 30, 2021*

**Section III. Major Federal Award Findings**

**2021-06 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
- **91-11** Water Bond reserve; \$65,000 required - \$0 in reserves
- **91-11** Water RRI reserve; \$106,600 required - \$0 in reserves
- **2020 Series C** sewer bond reserve; \$2,900 required - \$0
- **2020 Series C** RRI reserve \$3,200 required - \$0
- **2020 Series D** sewer bond reserve; \$400 required - \$0
- **2020 Series D** sewer bond reserve; \$3,200 required - \$0

**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.

**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 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.

# CITY OF BEAVERTON

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

*For the Year Ended June 30, 2021*

### Section IV. Prior Audit Findings

#### Financial Statement Audit Findings

##### **2021-01 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:**

Continues to be a finding in the current year, see current year finding 2020-01.

##### **2021-02 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:**

Continues to be a finding in the current year, see current year finding 2020-02.

##### **2021-03 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 2020-03.

# CITY OF BEAVERTON

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

*For the Year Ended June 30, 2021*

### **2021-04 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 2020-04.

### **2021-05 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:**

Continues to be a finding in the current year, see current year finding 2020-05.

### **2021-06 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 2020-06.



## Corrective Action Plan

### Federal Audit Clearinghouse

The City of Beaverton respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

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

Audit Period: June 30, 2021

Contact person responsible for Corrective Action  
Heath Kaplan, City Manager

The findings from the December 31, 2020 schedule of findings and questions costs are detailed in the schedule above. The findings are numbered consistently with the numbers assigned in the schedule.

### 2021-06 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