



City of Flushing



**CITY OF FLUSHING
GENESEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Flushing, Michigan

Report on the Audit of the Financial Statements***Opinions***

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Flushing (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200,

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2022, on our consideration of the City'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'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's internal control over financial reporting and compliance.



Gabridge & Company, PLC
Grand Rapids, Michigan
December 30, 2022

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Flushing, Michigan (The "City" or "government") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13,751,413 (net position).
- Combined program and general revenues for the City's activities amounted to \$10,950,284 while expenses amounted to \$9,735,699, causing the net position to increase by \$1,214,585 from the prior fiscal year.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$6,813,430, an increase of \$625,242 from the prior year. Approximately 41.1% of this amount, \$2,799,416, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,799,416, or approximately 63.1% of total general fund expenditures and transfers out.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support 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 financial information on all of the City's assets, deferred outflows, and liabilities, with the difference 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 for some items that will only result in cash flows in future

fiscal periods (e.g., accrued but unpaid other postemployment benefits and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, police and fire protection, streets, health and welfare, community and economic development, and recreation and culture. The business-type activities of the City include water and sewer services along with building inspection activities.

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

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing 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 eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and major streets funds which are considered to be a major funds. Data from the capital improvement, local streets, narcotic, community development, public improvement, and the cemetery trust funds is presented as a separate column as they are considered nonmajor funds.

The City adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

Proprietary Funds. The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprises funds to account for its water, sewer, and building inspection

operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The City uses an internal service fund to account for motor vehicle costs by allocating the cost to the funds that are using the resources. Because these services predominantly 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 water and sewer operations, both of which are considered to be major funds of the City. The building department is considered a nonmajor fund and is presented in a separate column. The internal service fund data is presented in the proprietary fund financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City reports one type of fiduciary fund, which is a custodial fund. The City maintains three custodial funds.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's budgetary comparison schedules and the City's schedules of funding progress and employer contributions for the pension and other postemployment benefits plans.

This report also presents other supplementary information which includes the nonmajor fund combining and individual statements. The combining statements are presented immediately following the required supplementary information on pensions.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,751,413, at the close of the most recent fiscal year.

City of Flushing's Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2022	2021	2022	2021	2022	2021
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 7,419,962	\$ 5,800,310	\$ 2,959,076	\$ 2,647,095	\$ 10,379,038	\$ 8,447,405
Receivables, net	100,590	98,534	937,590	883,888	1,038,180	982,422
Due from Other Units of Government	491,798	475,819	-	289,005	491,798	764,824
Inventory	-	-	23,948	16,994	23,948	16,994
Prepaid Expenses	7,050	13,146	-	-	7,050	13,146
Total Current Assets	8,019,400	6,387,809	3,920,614	3,836,982	11,940,014	10,224,791
<i>Noncurrent Assets</i>						
Restricted Cash and Investments	-	-	112,760	48,068	112,760	48,068
Capital Assets, net	13,119,367	13,182,561	8,928,570	7,578,870	22,047,937	20,761,431
Total Assets	21,138,767	19,570,370	12,961,944	11,463,920	34,100,711	31,034,290
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	282,574	256,208	188,384	170,806	470,958	427,014
OPEB Related	155,900	-	38,976	-	194,876	-
Total Deferred Outflows of Resources	438,474	256,208	227,360	170,806	665,834	427,014
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	184,892	274,443	673,312	571,380	858,204	845,823
Accrued Wages	105,976	87,970	24,009	22,530	129,985	110,500
Deposits Payable	17,961	14,873	3,850	5,250	21,811	20,123
Accrued Interest	2,825	3,721	35,776	25,747	38,601	29,468
Unearned Revenue	828,099	-	-	-	-	-
Current Portion of Compensated Absences	106,586	109,713	-	-	106,586	109,713
Current Portion of Long-term Debt	37,114	36,218	217,000	219,000	254,114	255,218
Internal Balances	-	(61,217)	-	61,217	-	-
Total Current Liabilities	1,283,453	465,721	953,947	905,124	2,237,400	1,370,845
<i>Noncurrent Liabilities</i>						
Compensated Absences	319,759	329,139	-	-	319,759	329,139
Long-term Debt	77,008	114,122	4,429,164	3,453,614	4,506,172	3,567,736
Net Pension Liability	6,025,357	6,132,230	4,016,906	4,088,152	10,042,263	10,220,382
Net OPEB Liability	2,350,345	2,205,217	587,586	551,304	2,937,931	2,756,521
Internal Balances	-	(160,000)	-	160,000	-	-
Total Liabilities	10,055,922	9,086,429	9,987,603	9,158,194	20,043,525	18,244,623
DEFERRED INFLOWS OF RESOURCES						
Pension Related	-	254,436	388,644	169,624	388,644	424,060
OPEB Related	582,963	204,635	-	51,158	582,963	255,793
Total Deferred Inflows of Resources	582,963	459,071	388,644	220,782	971,607	679,853
NET POSITION						
Net Investment in Capital Assets	13,005,245	13,032,221	4,282,406	3,906,256	17,287,651	16,938,477
Restricted	3,510,319	3,378,443	112,760	46,800	3,623,079	3,425,243
Unrestricted	(5,577,208)	(6,129,586)	(1,582,109)	(1,697,306)	(7,159,317)	(7,826,892)
Total Net Position	\$ 10,938,356	\$ 10,281,078	\$ 2,813,057	\$ 2,255,750	\$ 13,751,413	\$ 12,536,828

A large portion of the City's net position, \$17,287,651, reflects its investment in capital assets (e.g., land, right-of-ways, buildings and improvements, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$3,623,079, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of (\$7,159,317) is unrestricted.

Cash and investments, including restricted cash and investments, increased by \$1,931,633 which can be primarily attributed to the increase in governmental fund's fund balance of \$625,242, increase in unearned ARPA revenues of \$828,099 and net cash provided by operating activities within business-type activities of \$1,462,667. Capital assets and long-term debt increased by \$1,286,506 and \$938,436, respectively. This is largely due to the city drawing on their USDA bonds to finance sewer system improvements.

City of Flushing's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for Services	\$ 2,001,538	\$ 1,467,854	\$ 4,042,758	\$ 3,874,795	\$ 6,044,296	\$ 5,342,649
Operating Grants and Contributions	1,193,951	1,291,561	-	-	1,193,951	1,291,561
Total Program Revenues	3,195,489	2,759,415	4,042,758	3,874,795	7,238,247	6,634,210
General Revenues and Transfers						
Property Taxes	2,711,508	2,687,699	-	-	2,711,508	2,687,699
Unrestricted State sources	984,311	905,286	-	-	984,311	905,286
Investment Income	15,735	26,243	483	812	16,218	27,055
Transfers, net	-	(15,000)	-	15,000	-	-
Total General Revenues and Transfers	3,711,554	3,604,228	483	15,812	3,712,037	3,620,040
Total Revenues	6,907,043	6,363,643	4,043,241	3,890,607	10,950,284	10,254,250
Expenses						
General Government	1,622,091	114,810	-	-	1,622,091	114,810
Public Safety	2,132,478	890,668	29,808	47,326	2,162,286	937,994
Public Works	2,265,538	866,901	3,456,126	2,701,624	5,721,664	3,568,525
Community and Economic Development	26,004	7,520	-	-	26,004	7,520
Recreation and Culture	200,829	208,963	-	-	200,829	208,963
Interest on Long-term Debt	2,825	3,721	-	-	2,825	3,721
Total Expenses	6,249,765	2,092,583	3,485,934	2,748,950	9,735,699	4,841,533
Change in Net Position	657,278	4,271,060	557,307	1,141,657	1,214,585	5,412,717
<i>Net Position at Beginning of Period</i>	10,281,078	6,010,018	2,255,750	1,114,093	12,536,828	7,124,111
Net Position at End of Period	\$ 10,938,356	\$ 10,281,078	\$ 2,813,057	\$ 2,255,750	\$ 13,751,413	\$ 12,536,828

Governmental Activities. Governmental activities increased the City's net position by \$1,214,585. Charges for services increased by \$533,684 as there were increases in garbage collections and sale of properties. Operating grants and contributions decreased by \$97,610 as the City received lower COVID-19 related funding. General government, public safety, and public works expenses increased by \$1,507,281, \$1,241,810, and \$1,398,637 as the City's net OPEB liability had decreased significantly last year and did not have as big of a decrease this year.

Business-type Activities. Business-type activities increased the City's net position by \$557,307. The increase is a result of an increase in overall expenses related to the change in net OPEB liability. There was a significant decrease last year and was not as large of a decrease this year, resulting in an increase in expenses.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for 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 Council.

At June 30, 2022, the City's governmental funds reported combined fund balances of \$6,813,430, an increase of \$625,242 in comparison with the prior year. Approximately 41.1% of this amount, \$2,799,416, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned*, to indicate that it is: 1) not in spendable form (\$388,550, or 5.7%, for non-expendable corpus in a trust, prepaid expenditures, and advances to other funds), or 2) restricted for particular purposes (\$3,128,819, or 45.9%), 3) committed (\$246,645, or 3.6%, for certain projects), or 4) assigned (\$250,000, or 3.7%, for pension and OPEB).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,799,416, while total fund balance increased by \$493,366 for an ending fund balance of \$3,303,111. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 63.1% of total general fund expenditures and transfers out, while total fund balance represents approximately 74.5% of that same amount. The lower increase in comparison to the prior year is a combination of increased general government and public works expenditures. The City Council monitors the expenditures of the general fund closely to ensure that spending does not exceed the City's available resources.

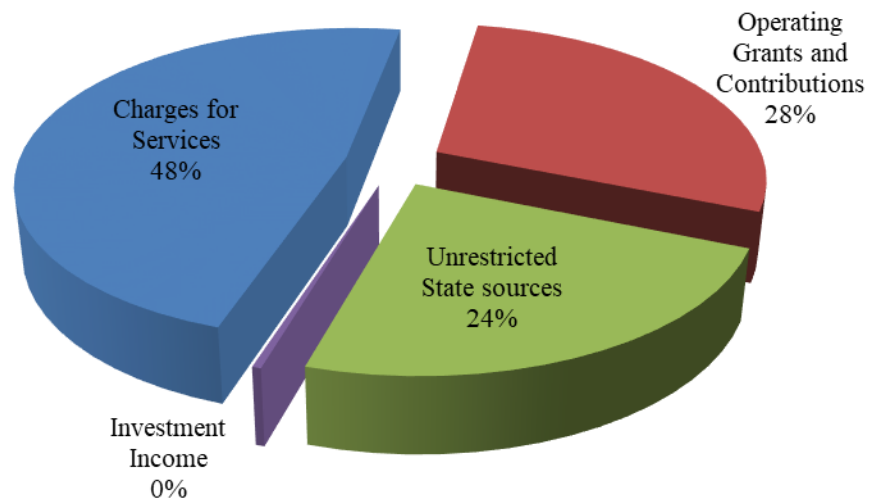
The major streets fund, a major fund, increased by \$195,807 during the current fiscal year for an ending fund balance of \$1,701,175. The increase in fund balance is similar to the prior year.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year for the sewer fund was \$64,907 and for the water fund was a deficit of (\$1,681,241). Net position for the sewer fund and water fund increased by \$374,739 and \$172,839, respectively. Information regarding the changes in net position was explained in an earlier section of this report.

Governmental Activities

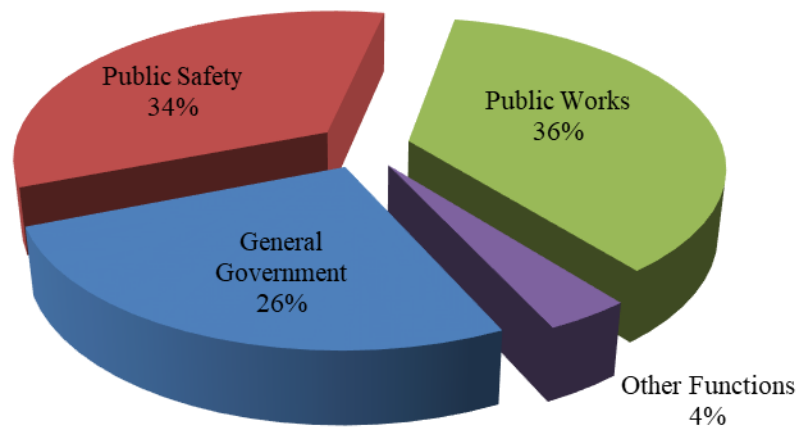
The following chart summarizes the revenue sources for the governmental activities of the City for the most recent fiscal year end.

Governmental Activities Revenues



The following chart summarizes the expenses for the governmental activities of the City for the most recent fiscal year end.

Governmental Activities Expenses



General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was one significant amendment to the original estimated revenues: charges for services increased from \$1,086,917 to \$1,172,917. Minor amendments were made to better allocate expenditures across departments.

Final budget compared to actual results. The City had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2022:

<u>Expenditure</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Negative Variance</u>
General Fund			
Cemetery	\$ 92,548	\$ 94,865	\$ (2,317)
Community Services	4,750	4,790	(40)

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounts to \$22,047,937 (net of accumulated depreciation). This investment in capital assets includes land, right-of-ways, buildings and improvements, machinery and equipment, vehicles, and water and sewer infrastructure.

More detailed information about the City's capital assets can be found in the notes to the financial statements.

Long-term Debt

As described in the notes to the financial statements, the City had \$4,760,286 of long-term debt at the end of the fiscal year. The City is well under its legal debt limit as of year-end.

Economic Condition and Outlook

The City continues to seek ways to lessen long-term retirement liabilities in order to achieve the financial goal of maintaining long-term financial stability. As federal and state revenue continues to stabilize, the City's revenue from property taxes has started to increase. State shared revenues have slightly increased and hope to maintain this for the fiscal year ending 2023.

The City's health care plans continue to be monitored in order to manage costs and stay compliant with the Affordable Health Care Act.

The City has adjusted their water rates as a result of rate increases that have been passed onto the City from the water supplier. The City will continue to monitor rates each fiscal year.

Looking ahead, we will continue to balance the budgets with tight controls over spending, while striving to provide the City's residents with the same level of service to which they have been accustomed.

Contacting the City

This financial report is designed to provide a general overview of the City's finances to its citizens, customers, investors, and creditors and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

The City of Flushing
725 East Main Street
Flushing, MI 48433

Basic Financial Statements

City of Flushing
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 7,419,962	\$ 2,959,076	\$ 10,379,038
Receivables, net	100,590	937,590	1,038,180
Due from Other Units of Government	491,798	--	491,798
Inventory	--	23,948	23,948
Prepaid Items	7,050	--	7,050
Total Current Assets	8,019,400	3,920,614	11,940,014
<i>Noncurrent Assets</i>			
Restricted Cash and Investments, RRI	--	34,500	34,500
Restricted Cash and Investments, Bond Reserve	--	78,260	78,260
Capital Assets not being Depreciated	6,684,509	2,276,947	8,961,456
Capital Assets being Depreciated, net	6,434,858	6,651,623	13,086,481
Total Assets	21,138,767	12,961,944	34,100,711
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	282,574	188,384	470,958
OPEB Related	155,900	38,976	194,876
Total Deferred Outflows of Resources	438,474	227,360	665,834
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	184,892	673,312	858,204
Accrued Wages	105,976	24,009	129,985
Deposits Payable	17,961	3,850	21,811
Accrued Interest	2,825	35,776	38,601
Unearned Revenue	828,099	--	828,099
Current Portion of Compensated Absences	106,586	--	106,586
Current Portion of Long-term Debt	37,114	217,000	254,114
Total Current Liabilities	1,283,453	953,947	2,237,400
<i>Noncurrent Liabilities</i>			
Compensated Absences	319,759	--	319,759
Long-term Debt	77,008	4,429,164	4,506,172
Net Pension Liability	6,025,357	4,016,906	10,042,263
Net OPEB Liability	2,350,345	587,586	2,937,931
Total Liabilities	10,055,922	9,987,603	20,043,525
DEFERRED INFLOWS OF RESOURCES			
Pension Related	582,963	388,644	971,607
Total Deferred Inflows of Resources	582,963	388,644	971,607
NET POSITION			
Net Investment in Capital Assets	13,005,245	4,282,406	17,287,651
<i>Restricted for:</i>			
Cemetery Care - Nonexpendable	381,500	--	381,500
Streets and Highways	2,475,503	--	2,475,503
Drug Law Enforcement	3,879	--	3,879
Capital Projects	649,437	--	649,437
Debt Service, Bond Reserves	--	78,260	78,260
Debt Service, RRI	--	34,500	34,500
<i>Unrestricted</i>	<i>(5,577,208)</i>	<i>(1,582,109)</i>	<i>(7,159,317)</i>
Total Net Position	\$ 10,938,356	\$ 2,813,057	\$ 13,751,413

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Flushing
Statement of Activities
For the Year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contribution	Capital Grants and Contribution	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General Government	1,622,091	337,315	39,234	--	(1,245,542)	--	(1,245,542)
Public Safety	\$ 2,132,478	\$ 419,301	\$ --	\$ --	\$ (1,713,177)	\$ --	\$ (1,713,177)
Public Works	2,265,538	1,221,644	1,088,314	--	44,420	--	44,420
Community and Economic Development	26,004	5,800	63,603	--	43,399	--	43,399
Recreation and Culture	200,829	17,478	2,800	--	(180,551)	--	(180,551)
Interest on Long-term Debt	2,825	--	--	--	(2,825)	--	(2,825)
Total Governmental Activities	6,249,765	2,001,538	1,193,951	--	(3,054,276)	--	(3,054,276)
Business-type Activities:							
Sewer	1,114,837	1,489,443	--	--	--	374,606	374,606
Water	2,341,289	2,513,778	--	--	--	172,489	172,489
Building Department (Nonmajor)	29,808	39,537	--	--	--	9,729	9,729
Total Business-type Activities	3,485,934	4,042,758	--	--	--	556,824	556,824
Total Primary Government	\$ 9,735,699	\$ 6,044,296	\$ 1,193,951	\$ --	\$ (3,054,276)	\$ 556,824	\$ (2,497,452)
General Purpose Revenues:							
Property Taxes					2,711,508	--	2,711,508
Intergovernmental					984,311	--	984,311
Investment Income					15,735	483	16,218
Total General Revenues					3,711,554	483	3,712,037
Change in Net Position					657,278	557,307	1,214,585
<i>Net Position at Beginning of Period</i>					10,281,078	2,255,750	12,536,828
Net Position at End of Period					\$ 10,938,356	\$ 2,813,057	\$ 13,751,413

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Flushing
Balance Sheet
Governmental Funds
June 30, 2022**

		<u>Special Revenue</u>		
	<u>General</u>	<u>Major Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	\$ 3,980,195	\$ 1,601,146	\$ 1,772,453	\$ 7,353,794
Receivables, net	91,128	3,250	--	94,378
Due from Other Units of Government	331,959	115,100	44,739	491,798
Prepaid Items	7,050	--	--	7,050
Total Assets	\$ 4,410,332	\$ 1,719,496	\$ 1,817,192	\$ 7,947,020
LIABILITIES				
Accounts Payable	\$ 170,272	\$ 11,992	\$ 2,628	\$ 184,892
Accrued Wages	92,889	6,329	3,420	102,638
Deposits Payable	15,961	--	2,000	17,961
Unearned Revenue	828,099	--	--	828,099
Total Liabilities	1,107,221	18,321	8,048	1,133,590
FUND BALANCE				
Nonspendable	7,050	--	381,500	388,550
Restricted	--	1,701,175	1,427,644	3,128,819
Committed	246,645	--	--	246,645
Assigned	250,000	--	--	250,000
Unassigned	2,799,416	--	--	2,799,416
Total Fund Balance	3,303,111	1,701,175	1,809,144	6,813,430
Total Liabilities and Fund Balance	\$ 4,410,332	\$ 1,719,496	\$ 1,817,192	\$ 7,947,020

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Flushing
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balance - Governmental Funds	\$ 6,813,430
Net Position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements	467,221
General government capital assets of \$33,704,613, net of accumulated depreciation of \$20,880,423, are not financial resources and, accordingly, are not reported in the funds.	12,721,188
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(114,122)
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	(2,825)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.	(6,325,746)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.	(2,194,445)
Compensated absences are not due in and payable in the current period and, therefore, are not reported in the funds.	(426,345)
Total Net Position - Governmental Activities	\$ <u>10,938,356</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

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

	<u>Special Revenue</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Major Streets</u>	<u>Governmental</u>	<u>Governmental</u>
Revenues			Funds	Funds
Property Taxes	\$ 2,296,505	\$ --	\$ 415,003	\$ 2,711,508
Licenses and Permits	133,076	--	--	133,076
Intergovernmental	1,012,052	781,732	370,185	2,163,969
Charges for Services	1,181,218	--	2,436	1,183,654
Fine and Forfeits	9,528	--	--	9,528
Interest and Rentals	63,625	762	7,918	72,305
Other Revenue	224,200	64	22,026	246,290
Total Revenues	4,920,204	782,558	817,568	6,520,330
Expenditures				
General Government	1,311,664	--	--	1,311,664
Public Safety	2,039,666	--	--	2,039,666
Public Works	889,037	586,751	739,813	2,215,601
Community and Economic Development	18,862	--	73,747	92,609
Recreation and Culture	122,152	--	--	122,152
Debt Service, Principal	36,218	--	--	36,218
Debt Service, Interest	3,721	--	--	3,721
Total Expenditures	4,421,320	586,751	813,560	5,821,631
Excess of Revenues Over				
(Under) Expenditures	498,884	195,807	4,008	698,699
Other Financing Sources (Uses)				
Transfers In	6,800	--	12,318	19,118
Transfers Out	(12,318)	--	(80,257)	(92,575)
Net Other Financing Sources (Uses)	(5,518)	--	(67,939)	(73,457)
Net Change in Fund Balance	493,366	195,807	(63,931)	625,242
<i>Fund Balance at Beginning of Period</i>	<i>2,809,745</i>	<i>1,505,368</i>	<i>1,873,075</i>	<i>6,188,188</i>
Fund Balance at End of Period	\$ 3,303,111	\$ 1,701,175	\$ 1,809,144	\$ 6,813,430

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Flushing
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds	\$ 625,242
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements.	65,298
Governmental fund report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$701,780 is in excess of capital outlay of \$195,269.	(103,002)
The statement of activities reports changes to net OPEB liability and OPEB related deferrals as OPEB expense; however, the expenditures recorded on the governmental funds equals actual OPEB contributions.	215,407
Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.	36,218
Changes to accrued interest do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.	896
Changes to compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.	12,507
The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.	(195,288)
Changes in Net Position - Governmental Activities	\$ <u>657,278</u>

City of Flushing
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities
			Building Department (Nonmajor)	Total Enterprise Funds	Internal Service Funds
ASSETS					
<i>Current Assets</i>					
Cash and Investments	\$ 2,602,000	\$ 321,950	\$ 35,126	\$ 2,959,076	\$ 66,168
Receivables, net	346,828	590,762	--	937,590	6,212
Inventory	--	23,948	--	23,948	--
Total Current Assets	2,948,828	936,660	35,126	3,920,614	72,380
<i>Noncurrent Assets</i>					
Restricted Cash and Investments, RRI	34,500	--	--	34,500	--
Restricted Cash and Investments, Bond Reserve	19,760	58,500	--	78,260	--
Capital Assets not being Depreciated	2,276,947	--	--	2,276,947	--
Capital Assets being Depreciated, net	1,484,889	5,166,734	--	6,651,623	398,179
Total Assets	6,764,924	6,161,894	35,126	12,961,944	470,559
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	94,192	94,192		188,384	
OPEB Related	19,488	19,488	--	38,976	--
Total Deferred Outflows of Resources	113,680	113,680	--	227,360	--
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	474,701	198,611	--	673,312	--
Accrued Wages	14,217	8,891	901	24,009	3,338
Deposits Payable	--	3,850	--	3,850	--
Accrued Interest	12,115	23,661	--	35,776	--
Current Portion of Long-term Debt	87,000	130,000	--	217,000	--
Total Current Liabilities	588,033	365,013	901	953,947	3,338
<i>Noncurrent Liabilities</i>					
Long-term Debt	1,453,318	2,975,846	--	4,429,164	--
Net Pension Liability	2,008,453	2,008,453	--	4,016,906	--
Net OPEB Liability	293,793	293,793	--	587,586	--
Total Liabilities	4,343,597	5,643,105	901	9,987,603	3,338
DEFERRED INFLOWS OF RESOURCES					
Pension Related	194,322	194,322	--	388,644	--
Total Deferred Inflows of Resources	194,322	194,322	--	388,644	--
NET POSITION					
Net Investment in Capital Assets	2,221,518	2,060,888	--	4,282,406	398,179
<i>Restricted for:</i>					
Debt Service, Bond Reserves	19,760	58,500	--	78,260	--
Debt Service, RRI	34,500	--	--	34,500	--
<i>Unrestricted</i>	64,907	(1,681,241)	34,225	(1,582,109)	69,042
Total Net Position	\$ 2,340,685	\$ 438,147	\$ 34,225	\$ 2,813,057	\$ 467,221

The Notes to the Financial Statements are an integral part of these Financial Statements

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

	Business-type Activities - Enterprise Funds				Governmental Activities
			Building Department (Nonmajor)	Total Enterprise Funds	Internal Service Funds
	Sewer	Water			
Operating Revenues					
Charges for Services	\$ 1,489,443	\$ 2,513,778	\$ 39,537	\$ 4,042,758	\$ 341,630
Other Revenue	--	--	--	--	187
Total Operating Revenues	1,489,443	2,513,778	39,537	4,042,758	341,817
Operating Expenses					
Personnel Services	482,649	321,883	19,411	823,943	138,738
Materials and Supplies	189,619	34,762	397	224,778	146,529
Administrative	75,102	71,860	--	146,962	24,212
Contractual Services	156,308	13,462	10,000	179,770	6,795
Water Purchases	--	1,409,323	--	1,409,323	--
Other Functions	--	202,019	--	202,019	--
Depreciation	191,250	208,114	--	399,364	78,598
Total Operating Expenses	1,094,928	2,261,423	29,808	3,386,159	394,872
Operating Income (Loss)	394,515	252,355	9,729	656,599	(53,055)
Non-Operating Revenues (Expenses)					
Investment Income	133	350	--	483	8
Gain (Loss) on Sale of Capital Assets	--	--	--	--	6,414
Other Revenue	--	--	--	--	38,474
Interest Expense	(19,909)	(79,866)	--	(99,775)	--
Net Non-Operating Revenues (Expenses)	(19,776)	(79,516)	--	(99,292)	44,896
Income Before Contributions and Transfers	374,739	172,839	9,729	557,307	(8,159)
Transfers In	--	--	--	--	73,457
Transfers Out	--	--	--	--	--
Change In Net Position	374,739	172,839	9,729	557,307	65,298
<i>Net Position at Beginning of Period</i>	<i>1,965,946</i>	<i>265,308</i>	<i>24,496</i>	<i>2,255,750</i>	<i>401,923</i>
Net Position at End of Period	\$ 2,340,685	\$ 438,147	\$ 34,225	\$ 2,813,057	\$ 467,221

The Notes to the Financial Statements are an integral part of these Financial Statements

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

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Sewer	Water	Nonmajor - Building Department	Total Enterprise Funds	
Cash Flows from Operating Activities					
Cash Receipts from Customers	\$ 1,755,133	\$ 2,476,437	\$ 39,537	\$ 4,271,107	\$ 335,605
Cash Payments to Employees for Services and Fringe Benefits	(441,734)	(285,893)	(19,893)	(747,520)	(138,502)
Cash Payments to Suppliers for Goods and Services	(295,468)	(1,755,055)	(10,397)	(2,060,920)	(183,011)
Net Cash Provided by (Used in) Operating Activities	1,017,931	435,489	9,247	1,462,667	14,092
Cash Flows from Non-capital Financing Activities					
Change in Interfund Balances and Advances	11,340	(234,204)	1,647	(221,217)	(75,203)
Transfers In	--	--	--	-	73,457
Other Revenue	--	--	--	-	38,474
Net Cash Provided by (Used in) Non-capital Financing Activities	11,340	(234,204)	1,647	(221,217)	36,728
Cash Flows from Capital and Related Financing Activities					
Principal Paid on Long-term Debt	(90,000)	(129,000)	--	(219,000)	--
Interest Paid on Long-term Debt	(8,992)	(80,754)	--	(89,746)	--
Issuance of Long-term Debt	1,192,550	--	--	1,192,550	--
Cash Receipts from Capital Grants	--	--	--	--	--
Gain on Sale of Capital Assets	--	--	--	--	6,414
Capital Assets Purchased	(1,720,389)	(28,675)	--	(1,749,064)	(118,406)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(626,831)	(238,429)	--	(865,260)	(111,992)
Cash Flows From Investing Activities					
Investment Income	133	350	--	483	8
Net Cash Provided by Investing Activities	133	350	--	483	8
Net Increase in Cash and Investments	402,573	(36,794)	10,894	376,673	(61,164)
Cash and Investments - Beginning of Year	2,253,687	417,244	24,232	2,695,163	127,332
Cash and Investments - End of Year	\$ 2,656,260	\$ 380,450	\$ 35,126	\$ 3,071,836	\$ 66,168
Statement of Net Position					
Cash and Investments	\$ 2,602,000	\$ 321,950	\$ 35,126	\$ 2,959,076	\$ 66,168
Restricted Cash and Investments	54,260	58,500	--	112,760	--
Total Statement of Net Position	\$ 2,656,260	\$ 380,450	\$ 35,126	\$ 3,071,836	\$ 66,168

The Notes to the Financial Statements are an integral part of these Financial Statements

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

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Sewer	Water	Nonmajor - Building Department	Total Enterprise Funds	
Reconciliation of Operating Income (Loss) to					
Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	\$ 394,515	\$ 252,355	\$ 9,729	\$ 656,599	\$ (53,055)
Adjustments to Reconcile Operating Income (Loss) to					
Net Cash Provided by (Used in) Operating Activities					
Depreciation Expense	191,250	208,114	--	399,364	78,598
Changes in Assets, Liabilities, and Related Deferrals					
Receivables, net	265,690	(30,387)	--	235,303	(6,212)
Inventory	--	(6,954)	--	(6,954)	--
Accounts Payable	125,561	(23,629)	--	101,932	(5,475)
Accrued Wages	2,743	(782)	(482)	1,479	236
Deposits Payable	--	(1,400)	--	(1,400)	--
Net Pension Liability and Related Deferrals	65,098	65,098	--	130,196	--
Net OPEB Liability and Related Deferrals	(26,926)	(26,926)	--	(53,852)	--
Net Cash Provided by (Used in) Operating Activities	\$ 1,017,931	\$ 435,489	\$ 9,247	\$ 1,462,667	\$ 14,092

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Flushing
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	Pension and Benefit Trust	Custodial Funds
ASSETS		
Cash and Investments	\$ 2,181,506	\$ 175,892
Receivables, net	--	53
<i>Total Assets</i>	2,181,506	175,945
LIABILITIES		
Accounts Payable	--	629
Deposits Payable	--	28,162
Due to Other Units of Government	--	147,154
<i>Total Liabilities</i>	--	175,945
NET POSITION		
Restricted for OPEB	\$ 2,181,506	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Flushing
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	<u>Pension and Benefit Trust</u>	<u>Custodial Funds</u>
Additions		
Property Taxes Collected for Other Governments	\$ --	\$ 7,523,975
Clerk/Treasurer Collections	--	282,810
Employer Contributions	560,124	21,371
Net Investment Income (Loss)	(203,494)	--
Total Additions	<u>356,630</u>	<u>7,828,156</u>
Deductions		
Payments of Property Taxes to Other Governments	--	7,523,975
Clerk/Treasurer Distributions	--	282,810
Benefit Payments	209,190	21,371
Administrative Expenses	4,054	--
Total Deductions	<u>213,244</u>	<u>7,828,156</u>
Change in Net Position	<u>143,386</u>	--
<i>Net Position at Beginning of Period</i>	2,038,120	--
Net Position at End of Period	<u>\$ 2,181,506</u>	<u>\$ --</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

City of Flushing

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of the City of Flushing (the “City” or “government”) have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the City’s accounting policies are described below.

Reporting Entity

The City of Flushing was incorporated in 1964, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

Jointly Governed Organization

The City has entered into a joint agreement with the Charter Township of Flushing to share in the acquisition costs and operating costs of a senior citizens center and library for Township and City residents. Operating expenses will be divided by the number of registered library users from the City and Township respectively. The City of Flushing acts as the fiduciary agent for the Senior Center and Library and records its share of the expenditures in the general fund. During the current year, the City's share of the operating costs of the Senior Center and Library was \$10,874. The City owns the building occupied by the Senior Center and Library as such it is recorded as a capital asset of the City. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Separate financial statements for the Senior Center and Library are available as of June 30, 2022 from their administrative office.

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the

City of Flushing

Notes to the Financial Statements

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 custodial funds which do 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City of Flushing reports three major governmental funds:

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

The ***major streets fund*** is used to account for the proceeds of the street property taxes that are restricted to repairs and maintenance of the City's streets.

City of Flushing

Notes to the Financial Statements

The City reports the following proprietary funds:

The ***sewer fund*** accounts for the activities of the City's sewage collection system and wastewater treatment plant.

The ***water fund*** accounts for the activities of the City's water distribution system.

The ***building department*** accounts for the activities of the City's building permits.

Additionally, the government reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects, the major streets, local streets, and narcotic funds are special revenue funds.

Capital projects funds account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

Internal service funds account for the financing of goods or services provided by the City to other departments or funds on a cost reimbursement basis.

Custodial funds are custodial in nature and do not present results of operations or have a measurement focus. Custodial funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity (such as taxes collected for other governments).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses are not meeting this definition are reported as nonoperating revenues and expenses.

Property Tax Revenue Recognition

Property taxes are levied on each July 1 on the taxable valuation of property located in the City as of the preceding December 31. Taxes are considered delinquent on October 1 of the same year, at which time penalties and interest are assessed.

City of Flushing

Notes to the Financial Statements

The City's 2021-2022 taxes are levied and collectible on July 1 with the lien on the property established on that date. The taxes are recognized as revenue in the year ended June 30, 2022, when the proceeds of the levy are budgeted and available for the financing of operations.

The City is permitted by charter to levy up to \$15.00 (15 mills) per \$1,000 of taxable value for general governmental services. However, as a result of the Headlee Amendment, that amount has been reduced to 12.5675 mills. For the year ended June 30, 2022, the City levied 12.5675 mills for general governmental services. The amounts are recognized in the respective general and capital projects fund's financial statements as tax revenue.

Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Fund 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 from the date of acquisition.

State statutes and City policy authorize the City to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

City of Flushing

Notes to the Financial Statements

Investments

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Restricted Cash

Certain resources of the water and sewer funds are classified as restricted investments on the statement of net position because they are restricted for the funding of certain reserves by applicable bond covenants. The bond reserve account is used to report resources set aside for debt service. The replacement account is used to report resources set aside to fund asset renewals and replacements. There was \$112,760 classified as restricted assets as of year-end.

Receivables and Payables

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

All trade receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

Inventory

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Prepaid Expenditures/Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets, which include land, construction in progress, buildings, vehicles and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than

City of Flushing

Notes to the Financial Statements

\$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

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

	<u>Years</u>
Buildings and Improvements	10 - 50
Vehicles, Machinery, and Equipment	3 - 50
Public Domain Infrastructure	20 - 50

Pension

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

Postemployment Benefits Other than Pensions (OPEB)

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

Deferred Outflows / Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so

City of Flushing

Notes to the Financial Statements

will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position. These items relate to the City's net pension liability or net OPEB liability. The net pension liability or net OPEB liability amounts are related to differences between expected and actual experience, changes of assumptions, differences between projected and actual pension/OPEB plan investment earnings, and employer contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

Compensated Absences

Under contracts negotiated with employee groups and personnel policy, individual employees have a vested right to receive payments for unused vacation and other compensation depending on employment agreements. Accumulated compensated absences of governmental funds are recorded on the statement of net position and not on the governmental fund balance sheets because the balance is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net position of the individual enterprise funds. Compensated absences reported for governmental activities are primarily liquidated from general fund resources.

Long-term Obligations

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

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

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to

City of Flushing

Notes to the Financial Statements

report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council, or its designee, is authorized to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the City Council.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in

City of Flushing

Notes to the Financial Statements

which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Comparisons to budget are presented for the general and special revenue funds. General and special revenue funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In the month of April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general and special revenue funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. No later than the 3rd Monday of May, the budget is adopted on a departmental (activity) basis for the general fund and fund level for most special revenue funds for the ensuing fiscal year, through passage of a resolution and in accordance with Public Act 621 of 1978 of the State of Michigan. Management can transfer appropriations within departments for the general fund, but any budgetary amendments which affect the total department appropriations must be approved by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
5. Budget appropriation lapse at year-end. The City had no encumbrances outstanding at June 30, 2021.

City of Flushing

Notes to the Financial Statements

6. The original budget was amended during the year in compliance with the City Charter and applicable state law. Budgeted amounts are reported in the financial statements as originally adopted and as amended by the City Council.

Excess of Expenditures Over Appropriations in Budgetary Funds

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The City had the following expenditures in excess of the amount appropriated during the year ended June 30, 2022:

Expenditure	Final Budget	Actual Amount	Negative Variance
General Fund			
Cemetery	\$ 92,548	\$ 94,865	\$ (2,317)
Community Services	4,750	4,790	(40)

Deficit Net Position

The City had an unrestricted net position deficit within both governmental activities and business-type activities at (\$5,577,208) and (\$1,582,109), respectively. Within business-type activities, the water fund had an unrestricted net position deficit of (\$1,681,241).

Note 3 - Deposits and Investments

Following is a reconciliation of deposit and investment balances as of June 30, 2022:

Statement of Net Position

Cash and Investments	\$ 10,379,038
Restricted Cash and Investments	113,760

Statement of Fiduciary Net Position

Cash and Investments	2,214,012
Total Cash and Investments	\$ 12,706,810

Deposits and Investments

Checking and Savings Accounts	\$ 10,410,904
Investments	
MERS Retiree Healthcare Funding Vehicle	2,038,120
Certificates of Deposit	257,786
Total Deposits and Investments	\$ 12,706,810

City of Flushing

Notes to the Financial Statements

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. State law does not require, and the City does not have a policy for deposit custodial credit risk. As of year-end, \$10,178,253 of the City's bank balance of \$10,428,428 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC and NCUA 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.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to minimize this risk, City policy limits the types of investments and pre-qualifies financial institutions. Investments for the City consisted of \$257,786 of certificates of deposit and \$2,181,506 of the MERS Retiree Healthcare Funding Vehicle.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings were not applicable for the City's investments of \$2,439,292.

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investments of \$2,181,506 in the MERS Retiree Healthcare Funding Vehicle did not have a maturity date whereas the City's investments of \$257,786 in certificates of deposits were all due within one year.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not limit investments in a single financial institution of a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a percentage of the total investment portfolio.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value

City of Flushing

Notes to the Financial Statements

hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

The City's investments of \$257,786 in certificates of deposits had a Level 1 recurring fair value measurement. The City's investments of \$2,181,506 in MERS Retiree Healthcare Funding Vehicle had a Level 2 recurring fair value measurement.

Note 4 - Interfund Transactions

The City had no interfund balances for the year ended June 30, 2022.

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

Interfund transfers for the year ended June 30, 2022 were as follows:

Transfer In	Transfer Out	Amount
Motor Vehicle	Nonmajor Governmental	\$ 73,457
General	Nonmajor Governmental	12,318
Nonmajor Governmental	General	6,800

Interfund transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments

City of Flushing

Notes to the Financial Statements

become due; and 3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 5 - Capital Assets

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

Governmental Activities	Beginning Balance	Additions	Deductions	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 1,060,976	\$ -	\$ -	\$ 1,060,976
Construction in Progress	-	485,674	-	485,674
Right-of-Ways	5,333,764	-	(195,905)	5,137,859
<i>Subtotal</i>	<u>6,394,740</u>	<u>485,674</u>	<u>(195,905)</u>	<u>6,684,509</u>
Capital Assets being Depreciated				
Buildings and Improvements	4,125,563	-	-	4,125,563
Machinery and Equipment	1,991,763	23,833	-	2,015,596
Infrastructure	21,192,547	242,358	-	21,434,905
<i>Subtotal</i>	<u>27,309,873</u>	<u>266,191</u>	<u>-</u>	<u>27,576,064</u>
Accumulated Depreciation				
Buildings and Improvements	(3,216,841)	(133,321)	-	(3,350,162)
Machinery and Equipment	(1,548,497)	(82,351)	-	(1,630,848)
Infrastructure	(16,115,084)	(443,291)	-	(16,558,375)
<i>Subtotal</i>	<u>(20,880,423)</u>	<u>(658,963)</u>	<u>-</u>	<u>(21,539,385)</u>
Capital Assets being Depreciated, net	<u>6,429,450</u>	<u>(392,772)</u>	<u>-</u>	<u>6,036,679</u>
Capital Assets, net - Internal Service Fund	<u>358,371</u>	<u>39,808</u>	<u>-</u>	<u>398,179</u>
Capital Assets, net	<u>\$ 13,182,561</u>	<u>\$ 132,710</u>	<u>\$ (195,905)</u>	<u>\$ 13,119,367</u>

Internal Service Fund	Beginning Balance	Additions	Deductions	Ending Balance
Capital Assets being Depreciated				
Machinery and Equipment	\$ 1,652,026	\$ 118,406	\$ (66,050)	\$ 1,704,382
Buildings and Improvements	53,883	-	-	53,883
<i>Subtotal</i>	<u>1,705,909</u>	<u>118,406</u>	<u>(66,050)</u>	<u>1,758,265</u>
Accumulated Depreciation				
Machinery and Equipment	(1,303,770)	(78,000)	66,050	(1,315,720)
Buildings and Improvements	(43,768)	(598)	-	(44,366)
<i>Subtotal</i>	<u>(1,347,538)</u>	<u>(78,598)</u>	<u>66,050</u>	<u>(1,360,086)</u>
Total Net Capital Assets being Depreciated	<u>3,053,447</u>	<u>197,004</u>	<u>(132,100)</u>	<u>3,118,351</u>
Capital Assets, net	<u>\$ 358,371</u>	<u>\$ 39,808</u>	<u>\$ -</u>	<u>\$ 398,179</u>

City of Flushing

Notes to the Financial Statements

Depreciation expense was charged to the governmental functions of the City as follows:

Governmental Activities	
General Government	\$ 117,726
Public Safety	64,053
Public Works	391,364
Recreation and Culture	78,677
Community and Economic	7,143
Internal Service Fund	78,598
Total	<u>\$ 737,561</u>

Capital asset activity for business-type activities for the year ended June 30, 2022 was as follows:

Business-type Activities	Beginning Balance	Additions	Deductions	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 18,790	\$ -	\$ -	\$ 18,790
Construction in Progress	537,768	1,720,389	-	2,258,157
<i>Subtotal</i>	<u>556,558</u>	<u>1,720,389</u>	<u>-</u>	<u>2,276,947</u>
Capital Assets being Depreciated				
Buildings and System	13,519,998	-	-	13,519,998
Water and Sewer System Infrastructure	8,907,615	-	-	8,907,615
Machinery and Equipment	723,010	28,675	-	751,685
<i>Subtotal</i>	<u>23,150,623</u>	<u>28,675</u>	<u>-</u>	<u>23,179,298</u>
Accumulated Depreciation				
Buildings and System	(10,979,663)	(263,092)	-	(11,242,755)
Water and Sewer System Infrastructure	(4,788,688)	(89,688)	-	(4,878,376)
Machinery and Equipment	(359,960)	(46,584)	-	(406,544)
<i>Subtotal</i>	<u>(16,128,311)</u>	<u>(399,364)</u>	<u>-</u>	<u>(16,527,675)</u>
Capital Assets being Depreciated, net	<u>7,022,312</u>	<u>(370,689)</u>	<u>-</u>	<u>6,651,623</u>
Capital Assets, net	<u>\$ 7,578,870</u>	<u>\$ 1,349,700</u>	<u>\$ -</u>	<u>\$ 8,928,570</u>

Depreciation expense for business-type activities was charged to sewer fund (\$191,250) and water fund (\$208,114) of the City.

City of Flushing

Notes to the Financial Statements

Note 6 - Long-term Debt

The following is a summary of long-term debt activity of the City for the year ended June 30, 2022:

	Interest Rate	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Fire Truck Installment Purchase Contract - Direct Placement	2.48%	2024	\$ 150,340	\$ -	\$ 36,218	\$ 114,122	\$ 37,114
Compensated Absences			438,852	-	12,507	426,345	106,586
Total Governmental Activities			589,192	-	48,725	540,467	143,701
Business-type Activities							
Water Revolving Fund	2.50%	2029	635,846	-	80,000	555,846	80,000
Water Supply System Revenue Bond, 2018	2.375%	2058	2,599,000	-	49,000	2,550,000	50,000
Sanitary Sewer Junior Lien Revenue Bonds, 2021A	2.125%	2061	336,768	1,192,550	55,000	1,474,318	53,000
Sanitary Sewer Junior Lien Revenue Bonds, 2021B	2.125%	2061	101,000	-	35,000	66,000	34,000
Total Business-type Activities			3,672,614	1,192,550	219,000	4,646,164	217,000
Total Primary Government Long-term Debt			\$ 4,261,806	\$ 1,192,550	\$ 267,725	\$ 5,186,631	\$ 360,701

Annual debt service requirements, exclusive of compensated absences, to maturity are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 37,114	\$ 2,825	\$ 39,939	\$ 217,000	\$ 189,952	\$ 406,952
2024	38,033	1,906	39,939	220,000	185,033	405,033
2025	38,974	965	39,939	224,000	179,917	403,917
2026	-	-	-	227,000	174,308	401,308
2027	-	-	-	229,000	168,862	397,862
2028-2032	-	-	-	956,846	774,405	1,731,251
2033-2037	-	-	-	892,000	678,962	1,570,962
2038-2042	-	-	-	996,000	575,174	1,571,174
2043-2047	-	-	-	1,110,000	459,658	1,569,658
2048-2052	-	-	-	1,239,000	330,832	1,569,832
2053-2057	-	-	-	1,243,000	211,455	1,454,455
2058-2062	-	-	-	749,000	40,188	789,188
Totals	\$ 114,122	\$ 5,695	\$ 119,817	\$ 8,302,846	\$ 3,968,745	\$ 12,271,591

*The maturity schedule includes the required principal and interest payments for monies that the City has not yet drawn from the 2021A and 2021B Sanitary Sewer Junior Lien Revenue Bonds.

Note 7 - Defined Benefit Pension Plan

Plan Description

The City participates in the Municipal Employees Retirement System (MERS) of Michigan, a defined benefit pension plan that provides certain retirement, disability, and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer, state-wide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial

City of Flushing

Notes to the Financial Statements

report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at www.mersofmich.com.

Retirement benefits for employees are calculated as follows:

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
General - Closed	2.50%	80%	3	60	50/25	55/15	10
Police - Closed	2.50%	80%	3	60	50/25	55/15	10
Administration - Closed	2.50%	80%	5	60	50/25	55/15	10
Police - Closed	1.50%	N/A	3	60	N/A	N/A	6

Employees Covered by Benefit Terms

At the December 31, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	39
Inactive Plan Members Entitled To But Not Yet Receiving Benefits	4
Active Plan Members	13
<i>Total Employees Covered By MERS</i>	<u>56</u>

Contributions

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

Employer contributions total a flat amount of \$78,493 per month for closed divisions. The active employee contribution rate ranged from 0.00% to 10.00% of annual payroll for closed divisions.

Net Pension Liability

The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

City of Flushing

Notes to the Financial Statements

Actuarial Assumptions

The total pension liability in the December 31, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.00% plus merit and longevity: 3.00% in the long-term

Investment Rate of Return: 7.00%, net of investment and administrative expense including inflation

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

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global Equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.40%
Totals	100.00%		7.00%		4.50%

Discount Rate

The discount rate used to measure the total pension liability in the current year and prior year is 7.25%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was

City of Flushing

Notes to the Financial Statements

projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Changes in the net pension liability during the measurement year were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2020	\$ 22,475,864	\$ 12,255,482	10,220,382
<i>Changes for the Year:</i>			
Service Cost	154,491	-	154,491
Interest on Total Pension Liability	1,663,890	-	1,663,890
Differences Between Expected and Actual Experience	(147,285)	-	(147,285)
Changes of Assumptions	881,914	-	881,914
Contributions - Employer	-	962,813	(962,813)
Contributions - Employee	-	75,226	(75,226)
Net Investment Income	-	1,712,744	(1,712,744)
Benefit Payments, Including Refunds	(1,319,652)	(1,319,652)	-
Administrative Expenses	-	(19,655)	19,655
Other Changes	(1)	-	(1)
<i>Net Changes</i>	<u>1,233,357</u>	<u>1,411,476</u>	<u>(178,119)</u>
Balance at December 31, 2021	\$ 23,709,221	\$ 13,666,958	\$ 10,042,263
		Allocated to:	
		Governmental Activities	\$ 6,025,357
		Business-type Activities	4,016,906
		Total	<u>\$ 10,042,263</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability of the City	<u>\$ 12,897,507</u>	<u>\$ 10,042,263</u>	<u>\$ 7,660,978</u>

City of Flushing

Notes to the Financial Statements

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

For the year ended June 30, 2022, the City recognized pension expense of \$1,332,241. At June 30, 2022, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 971,607
Employer Contributions to the Plan Subsequent to the Measurement Date*	470,958	-
Totals	\$ 470,958	\$ 971,607

Allocated as Follows:		
Governmental Activities	\$ 282,574	\$ 582,963
Business-type Activities	188,384	388,644
Totals	\$ 470,958	\$ 971,607

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2023.

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

Fiscal Year Ended June 30,	Amount
2023	\$ (144,877)
2024	(393,974)
2025	(274,201)
2026	(158,555)

Assumption and Method Change in 2022

Effective February 17, 2022, the MERS Retirement Board adopted a dedicated gains policy that automatically adjusts the assumed rate of investment return by using excess asset gains to mitigate large increases in required contributions to the Plan. Full details of this dedicated gains policy are available in the Actuarial Policy found on the MERS website. Some goals of the dedicated gains policy are to:

- Provide a systematic approach to lower the assumed rate of investment return between experience studies, and

City of Flushing

Notes to the Financial Statements

-
- Use excess gains to cover both the increase in normal cost and any increase in UAL payment the first year after implementation (i.e., minimize the first-year impact (i.e., increase) in employer contributions).

The dedicated gains policy has been implemented with the December 31, 2021 annual actuarial valuation. After initial application of the smoothing method, remaining market gains were used to lower the assumed rate of investment return from 7.35% to 7.00%. The December 31, 2021 valuation liabilities were developed using this new, lower assumption. Additionally, as a result of recognizing excess market gains, the valuation assets used to fund these liabilities are 7.2% higher than if there were no dedicated gain policy. The combined impact of these changes will minimize the first-year impact on employer contributions and may result in an increase or a decrease in employer contributions.

Note 8 - Other Postemployment Benefits

Plan Description

The City of Flushing Other Post-Employment Benefits Plan is a single employer plan established and administered by City of Flushing and can be amended at its discretion.

Benefits Provided

The plan provides either 80% or 100% of health insurance benefits to eligible retirees and their spouse until death or Medicare eligibility. Dependents are covered until age 26. Eligibility is determined based on position and classification and is maintained until the employee's & spouse death, or the at Medicare eligibility depending on bargaining unit.

Membership of the Plan consisted of the following at the Date of the latest actuarial valuation (June 30, 2022):

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	31
Inactive Plan Members Entitled To But Not Yet Receiving Benefits	-
Active Plan Members	11
<i>Total Employees Covered By The Plan</i>	<u>42</u>

Contributions

The City of Flushing's Other Post-Employment Benefits Plan was established and is being funded under the authority of the City and under agreements with unions representing various classes of employees. Currently, the City does not have a fixed amount that will be contributed toward the OPEB Trust each year, but the amount to be contributed will most likely be determined in December of each year. Benefit payments made directly to retirees or on behalf of retirees from general operating funds will be counted as plan contributions.

City of Flushing

Notes to the Financial Statements

Methods and Assumptions

The City's OPEB liability was measured as of June 30, 2022.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021 and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.50%
Salary Increases:	3.00% (for purposes of allocating liability)
Investment Rate of Return:	7.00%, including inflation
20-year Aa Municipal Bond Rate:	4.09%
Mortality:	PubG-2010 Mortality Table using Scale MP-2021.

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global Equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.40%
Totals	100.00%		7.00%		4.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the City will first use assets to pay benefits and then pay benefits on a pay-as-you-go basis. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members, there is no cross-over point. Therefore, all projected benefits are covered by projected assets, thus the long-term expected rate was used to discount the projected benefits. This discount rate is used to determine the Total OPEB Liability. In the prior year, the discount rate used to value OPEB liabilities was 7.35%.

City of Flushing

Notes to the Financial Statements

Changes in the Net OPEB Liability

Changes in the net OPEB liability during the measurement year were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at June 30, 2021	\$ 4,794,641	\$ 2,038,120	\$ 2,756,521
<i>Changes for the Year:</i>			
Service Cost	23,815	-	23,815
Interest on Total OPEB Liability	346,468	-	346,468
Differences Between Expected and Actual Experience	(6,862)	-	(6,862)
Changes in Benefit Terms	-	-	-
Changes of Assumptions	170,565	-	170,565
Contributions - Employer	-	560,124	(560,124)
Net Investment Income	-	(203,494)	203,494
Benefit Payments, Including Refunds	(209,190)	(209,190)	-
Administrative Expenses	-	(4,054)	4,054
<i>Net Changes</i>	<u>324,796</u>	<u>143,386</u>	<u>181,410</u>
Balance at June 30, 2022	\$ 5,119,437	\$ 2,181,506	\$ 2,937,931
	Allocated to:		
	Governmental Activities	\$	2,350,345
	Business-type Activities		587,586
		\$	2,937,931

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the employer, calculated using the discount rate of 4.09%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower or higher than the current rate:

	1% Decrease (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
Net OPEB Liability	<u>\$ 3,486,927</u>	<u>\$ 2,937,931</u>	<u>\$ 2,475,961</u>

City of Flushing

Notes to the Financial Statements

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate of 8.00% to 4.50% depending on coverage type, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or higher than the current rate.

	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	\$ 2,474,380	\$ 2,937,931	\$ 3,485,172

OPEB Expense and Deferred Inflows of Resources Related to OPEB Plan

For the year ended June 30, 2022, the City recognized OPEB expense of (\$290,866). The employer reported deferred inflows of resources related to the OPEB from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	\$ 194,876	\$ -
Allocated as Follows:		
Governmental Activities	\$ 155,901	\$ -
Business-type Activities	38,975	-
Total	\$ 194,876	\$ -

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

Fiscal Year Ended June 30,	Amount
2023	\$ 43,864
2024	46,873
2025	30,930
2026	73,209

City of Flushing

Notes to the Financial Statements

Note 9 - Fund Balances - Governmental Funds

The City reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

	General	Major Streets	Other Governmental Funds	Total
Nonspendable for:				
Prepaid Items	\$ 7,050	\$ -	\$ -	\$ 7,050
Cemetery Care	-	-	381,500	381,500
Total Nonspendable	<u>7,050</u>	<u>-</u>	<u>381,500</u>	<u>388,550</u>
Restricted for:				
Streets and Highways	-	1,701,175	774,328	2,475,503
Drug Law Enforcement	-	-	3,879	3,879
Capital Projects	-	-	649,437	649,437
Total Restricted	<u>-</u>	<u>1,701,175</u>	<u>1,427,644</u>	<u>3,128,819</u>
Committed for:				
Community Development	186,206	-	-	186,206
Parks	60,439	-	-	60,439
Total Committed	<u>246,645</u>	<u>-</u>	<u>-</u>	<u>246,645</u>
Assigned for:				
Pension and OPEB	250,000	-	-	250,000
Total Assigned	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
Unassigned	<u>2,799,416</u>	<u>-</u>	<u>-</u>	<u>2,799,416</u>
Total Fund Balances	<u>\$ 3,303,111</u>	<u>\$ 1,701,175</u>	<u>\$ 1,809,144</u>	<u>\$ 6,813,430</u>

Note 10 - Tax Abatement Disclosure

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the City (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the City. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2022, the City's property taxes were reduced by \$7,732 under this program.

City of Flushing

Notes to the Financial Statements

Note 11 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits provided to employees and participates in the Michigan Municipal League ("MML") risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries (workers' compensation). Settled claims relating to the commercial insurance have not exceeded the amount of coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Required Supplementary Information

City of Flushing
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Property Taxes	\$ 2,308,800	\$ 2,308,800	\$ 2,296,505	\$ (12,295)
Licenses and Permits	130,500	130,500	133,076	2,576
Intergovernmental	844,661	845,441	1,012,052	166,611
Charges for Services	1,086,917	1,172,917	1,181,218	8,301
Fines and Forfeits	4,000	8,000	9,528	1,528
Interest and Rentals	60,100	62,500	63,625	1,125
Other Revenue	71,300	149,164	224,200	75,036
Total Revenues	4,506,278	4,677,322	4,920,204	242,882
Other Financing Sources				
Transfers In	6,800	6,800	6,800	--
Total Revenues and Other Financing Sources	4,513,078	4,684,122	4,927,004	242,882
Expenditures				
General Government				
City Council	11,345	11,345	9,860	1,485
City Manager	124,077	126,985	123,389	3,596
Elections	17,831	34,831	29,077	5,754
Assessor	41,530	41,530	39,225	2,305
City Attorney	50,000	45,000	40,834	4,166
City Clerk/Treasurer	285,219	299,619	291,251	8,368
City Hall	52,168	52,168	49,081	3,087
Cemetery	85,398	92,548	94,865	(2,317)
General Administration	646,961	658,727	634,082	24,645
Total General Government	1,314,529	1,362,753	1,311,664	51,089
Public Safety				
Police Department	1,764,346	1,784,921	1,753,610	31,311
Fire Department	254,821	297,121	286,056	11,065
Total Public Safety	2,019,167	2,082,042	2,039,666	42,376
Public Works				
Department of Public Works	105,250	105,250	97,212	8,038
Sanitation	689,066	689,066	660,710	28,356
Solid Waste Recycling	154,414	154,414	131,115	23,299
Total Public Works	948,730	948,730	889,037	59,693
Community and Economic Development				
Planning	11,452	21,452	18,862	2,590
Recreation and Culture				
Parks and Recreation	144,714	144,714	91,414	53,300
Library	25,297	27,797	25,948	1,849
Community Services	4,250	4,750	4,790	(40)
Total Recreation and Culture	174,261	177,261	122,152	55,109
Debt Service, Principal	36,218	36,218	36,218	--
Debt Service, Interest	3,721	3,721	3,721	--
Total Expenditures	4,508,078	4,632,177	4,421,320	210,857
Other Financing Uses				
Transfers Out	5,000	14,818	12,318	2,500
Total Expenditures and Other Financing Uses	4,513,078	4,646,995	4,433,638	213,357
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	37,127	493,366	456,239
Net Change in Fund Balance	--	37,127	493,366	456,239
Fund Balance at Beginning of Period	2,809,745	2,809,745	2,809,745	--
Fund Balance at End of Period	\$ 2,809,745	\$ 2,846,872	\$ 3,303,111	\$ 456,239

City of Flushing
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Major Streets
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 726,769	\$ 746,411	\$ 781,732	\$ 35,321
Interest and Rentals	500	500	762	262
Other Revenue	--	--	64	64
Total Revenues	727,269	746,911	782,558	35,647
Expenditures				
Routine Maintenance	575,130	566,043	492,772	73,271
Traffic Service	31,072	31,072	25,851	5,221
Snow and Ice	76,346	76,346	68,128	8,218
Total Expenditures	682,548	673,461	586,751	86,710
Excess (Deficiency) of Revenues Over Expenditures	44,721	73,450	195,807	122,357
Net Change in Fund Balance	44,721	73,450	195,807	122,357
<i>Fund Balance at Beginning of Period</i>	1,505,368	1,505,368	1,505,368	--
Fund Balance at End of Period	\$ 1,550,089	\$ 1,578,818	\$ 1,701,175	\$ 122,357

City of Flushing
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios*
Last Eight Calendar Years

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	\$ 154,491	\$ 139,558	\$ 137,346	\$ 139,676	\$ 132,491	\$ 154,811	\$ 181,086	\$ 174,403
Interest on Total Pension Liability	1,663,890	1,586,794	1,539,133	1,585,623	1,543,627	1,512,939	1,431,731	1,392,041
Changes in Benefit Terms	-	1,922	-	(23,684)	(10,154)	324	(12,084)	-
Differences Between Expected and Actual Experience	(147,285)	(145,696)	(587,491)	45,700	102,675	(118,799)	26,317	-
Changes of Assumptions	881,914	730,123	745,771	(25,249)	-	-	1,044,347	-
Benefit Payments, Including Refunds	(1,319,653)	(1,291,842)	(1,287,677)	(1,291,175)	(1,203,411)	(1,105,615)	(1,096,055)	(1,081,328)
Other Changes	(1)	1	81,006	-	-	-	-	-
Net Change in Pension Liability	<u>1,233,356</u>	<u>1,020,860</u>	<u>628,088</u>	<u>430,891</u>	<u>565,228</u>	<u>443,660</u>	<u>1,575,342</u>	<u>485,116</u>
<i>Total Pension Liability - Beginning</i>	<u>22,475,865</u>	<u>21,455,005</u>	<u>20,826,917</u>	<u>20,396,026</u>	<u>19,830,798</u>	<u>19,387,138</u>	<u>17,811,796</u>	<u>17,326,680</u>
Total Pension Liability - Ending (a)	<u>\$ 23,709,221</u>	<u>\$ 22,475,865</u>	<u>\$ 21,455,005</u>	<u>\$ 20,826,917</u>	<u>\$ 20,396,026</u>	<u>\$ 19,830,798</u>	<u>\$ 19,387,138</u>	<u>\$ 17,811,796</u>
Plan Fiduciary Net Position								
Contributions - Employer	\$ 962,813	\$ 1,015,328	\$ 1,057,079	\$ 1,002,776	\$ 968,504	\$ 1,104,834	\$ 787,717	\$ 726,473
Contributions - Employee	75,226	69,899	76,593	68,612	60,808	46,030	23,483	-
Net Investment Income (Loss)	1,712,744	1,411,101	1,344,950	(410,593)	1,253,713	968,218	(134,705)	545,389
Benefit Payments, Including Refunds	(1,319,653)	(1,291,842)	(1,287,677)	(1,291,175)	(1,203,411)	(1,105,615)	(1,096,055)	(1,081,328)
Administrative Expenses	(19,655)	(22,261)	(23,175)	(20,381)	(19,848)	(19,141)	(19,447)	(19,963)
Net Change in Plan Fiduciary Net Position	<u>1,411,475</u>	<u>1,182,225</u>	<u>1,167,770</u>	<u>(650,761)</u>	<u>1,059,766</u>	<u>994,326</u>	<u>(439,007)</u>	<u>170,571</u>
<i>Plan Fiduciary Net Position - Beginning</i>	<u>12,255,483</u>	<u>11,073,258</u>	<u>9,905,488</u>	<u>10,556,249</u>	<u>9,496,483</u>	<u>8,502,157</u>	<u>8,941,164</u>	<u>8,770,593</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 13,666,958</u>	<u>\$ 12,255,483</u>	<u>\$ 11,073,258</u>	<u>\$ 9,905,488</u>	<u>\$ 10,556,249</u>	<u>\$ 9,496,483</u>	<u>\$ 8,502,157</u>	<u>\$ 8,941,164</u>
Net Pension Liability - Ending (a) - (b)	\$ 10,042,263	\$ 10,220,382	\$ 10,381,747	\$ 10,921,429	\$ 9,839,777	\$ 10,334,315	\$ 10,884,981	\$ 8,870,632
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	57.64%	54.53%	51.61%	47.56%	51.76%	47.89%	43.85%	50.20%
Covered Payroll	\$ 1,034,421	\$ 938,716	\$ 938,716	\$ 965,175	\$ 930,915	\$ 1,098,575	\$ 1,274,583	\$ 930,915
Net Pension Liability as a Percentage of Covered Payroll	970.81%	1088.76%	1105.95%	1131.55%	1057.00%	940.70%	854.00%	952.89%

Notes to Schedule:

* Built prospectively upon implementation on GASB Statement No.68. An additional year will be added each year until ten years are presented.

See Notes to the Required Supplementary Information immediately following pension and OPEB schedules.

City of Flushing
Required Supplementary Information
Schedule of Contributions
Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution	\$ 941,916	\$ 852,693	\$ 1,025,109	\$ 1,071,388	\$ 968,504	\$ 1,104,835	\$ 722,184	\$ 662,532	\$ 565,222	\$ 535,056
Contributions in Relation to the Actuarially Determined Contribution	941,916	927,693	1,025,109	1,071,388	1,168,504	1,104,835	722,184	662,532	565,222	535,056
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 954,814	\$ 891,576	\$ 1,022,098	\$ 984,479	\$ 930,915	\$ 1,098,575	\$ 1,274,583	\$ 1,264,280	\$ 1,250,000	\$ 1,355,518
Contributions as a Percentage of Covered Payroll	98.65%	104.05%	100.29%	108.83%	125.52%	100.57%	56.66%	52.40%	45.22%	39.47%

Notes

Actuarially determined contribution rates are calculated as of December 31 each year, which is the year prior to the beginning of the fiscal year in which the contributions are required.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry-age normal
Amortization Method	Level percentage of pay, open
Remaining Amortization Period	17 years
Asset Valuation Method	5-year smoothed
Inflation	2.50%
Salary Increases	3.00% in the Long-term
Investment Rate of Return	7.00%, Net of Investment Expense, including Inflation
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 and Fully Generational MP-2019

City of Flushing
Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios*
Last Six Fiscal Years

	2022	2021	2020	2019	2018	2017
Total Pension Liability						
Service Cost	\$ 23,815	\$ 76,849	\$ 74,832	\$ 116,188	\$ 148,569	\$ 185,946
Interest on Total OPEB Liability	346,468	483,539	473,267	499,539	487,232	449,831
Differences Between Expected and Actual Experience	(6,862)	(3,296,895)	(61,511)	(2,005,970)	(28,005)	82,326
Changes of Assumptions	170,565	(1,242,477)	46,345	(1,186,159)	-	(39,622)
Changes in Benefit Terms	-	(424,029)	-	-	-	72,391
Benefit Payments, Including Refunds	(209,190)	(229,205)	(230,097)	(268,133)	(293,907)	(312,063)
Net Change in Pension Liability	324,796	(4,632,218)	302,836	(2,844,535)	313,889	438,809
<i>Total Pension Liability - Beginning</i>	4,794,641	9,426,859	9,124,023	11,968,558	11,654,669	11,215,860
Total Pension Liability - Ending (a)	\$ 5,119,437	\$ 4,794,641	\$ 9,426,859	\$ 9,124,023	\$ 11,968,558	\$ 11,654,669
Plan Fiduciary Net Position						
Contributions - Employer	\$ 560,124	\$ 229,205	\$ 400,000	\$ 402,717	\$ 293,907	\$ 412,063
Contributions - Employee	-	-	230,097	268,133	224,000	-
Net Investment Income	(203,494)	300,952	36,922	81,806	32,461	49,723
Benefit Payments, Including Refunds	(209,190)	(229,205)	(230,097)	(268,133)	(293,907)	(312,063)
Administrative Expenses	(4,054)	(3,431)	(2,664)	(2,169)	(1,645)	(999)
Net Change in Plan Fiduciary Net Position	143,386	297,521	434,258	482,354	254,816	148,724
<i>Plan Fiduciary Net Position - Beginning</i>	2,038,120	1,740,599	1,306,341	823,987	569,171	420,447
Plan Fiduciary Net Position - Ending (b)	\$ 2,181,506	\$ 2,038,120	\$ 1,740,599	\$ 1,306,341	\$ 823,987	\$ 569,171
Net OPEB Liability - Ending (a) - (b)	\$ 2,937,931	\$ 2,756,521	\$ 7,686,260	\$ 7,817,682	\$ 11,144,571	\$ 11,085,498
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	42.61%	42.51%	18.46%	14.32%	6.88%	4.88%
Covered Payroll	\$ 924,006	\$ 901,408	\$ 965,929	\$ 834,496	N/A	N/A
Net OPEB Liability as a Percentage of Covered Payroll	317.96%	305.80%	795.74%	936.81%	N/A	N/A

Notes to Schedule:

* Built prospectively upon implementation on GASB Statement No.75. An additional year will be added each year until ten years are presented.

See Notes to the Required Supplementary Information immediately following pension and OPEB schedules.

City of Flushing
Required Supplementary Information
Schedule of Contributions - OPEB
Last Seven Fiscal Years

	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 266,238	\$ 614,087	\$ 615,511	\$ 791,291	\$ 809,939	\$ 1,693,998	\$ 674,458
Contributions in Relation to the Actuarially Determined Contribution	209,190	229,205	630,097	670,850	517,907	412,063	-
Contribution Deficiency (Excess)	<u>\$ 57,048</u>	<u>\$ 384,882</u>	<u>\$ (14,586)</u>	<u>\$ 120,441</u>	<u>\$ 292,032</u>	<u>\$ 1,281,935</u>	<u>\$ 674,458</u>
Covered Employee Payroll	\$ 924,006	\$ 901,408	\$ 965,929	\$ 834,496	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll	28.81%	68.13%	63.72%	94.82%	N/A	N/A	N/A

Notes

Valuation Date: June 30, 2021

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry-age normal
Amortization Method	Level percentage of pay, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	Market value
Inflation	2.50%
Salary Increases	3.50%
Investment Rate of Return	7.35%
Retirement Age	Varies, depending on plan adoption
Mortality	2010 Public safety and general employees and healthy retirees, headcount weighted, MP-2021
Healthcare Cost Trend Rate	8.00%, decreasing 0.25% annually to 4.50%

City of Flushing
Notes to the Required Supplementary Information

Notes to the Schedule of Changes in Net Pension Liability and Related Ratios

2021, summary of most significant changes impacting the total pension liability include:

A) The investment rate of return assumption was reduced from 7.60% to 7.25%.

2020, summary of most significant changes impacting the total pension liability include:

A) Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions.

2019, summary of most significant changes impacting the total pension liability include:

A) The investment rate of return assumption was reduced from 8.00% to 7.60%, the wage inflation assumption was reduced from 3.75% to 3.00%.

2015, summary of most significant changes impacting the total pension liability include:

A) The investment rate of return assumption was reduced from 8.25% to 8.0%, the wage inflation assumption was reduced from 4.50% to 3.75%, inflation rates changed from 3.0-4.0% to 3.25%, and the mortality assumption was updated to be based on the RP-2014 tables.

Notes to the Schedule of Changes in Net OPEB Liability and Related Ratios

2022, summary of most significant changes impacting the total OPEB liability include:

A) The discount rate was changed from 7.35% to 7.00%.

2021, summary of most significant changes impacting the total OPEB liability include:

A) There was an actuarial gain of \$3,296,895 (differences between expected and actual experience), primarily due to the Medicare premium valued for both the current and future retirees significantly lower than expected relative to the previous rate used for both BCBS and BCN plan participant.

B) A change in plan provisions for future admin and DPW retirees generated a \$424,029 decrease in total pension liability.

C) The discount rate was updated from 5.15% to 7.35%, combined with a change in mortality, trend rate, salary scale, and timing of claims assumptions, which led to a \$1,242,477 decrease in total pension liability.

2019, summary of most significant changes impacting the total OPEB liability include:

A) There was an actuarial loss of \$584,615 (differences between expected and actual experience), primarily due to mortality rates table changing from IRS 1.430(h) annuitant and non-annuitant sex distinct tables to public safety 2010 headcount-weighted employee and healthy retiree table for police participants and public general 2010 headcount-weighted table for non-police participants).

B) The discount rate was updated from 4.18% to 5.21%, combined with a change in mortality, trend rate, salary scale, and timing of claims assumptions, which led to a \$1,648,677 decrease in total pension liability.

Combining and Individual Fund Statements and Schedules

**City of Flushing
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

	<u>Special Revenue</u>		<u>Capital Projects</u>			<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Local Streets</u>	<u>Narcotic</u>	<u>Community Development</u>	<u>Public Improvement</u>	<u>Capital Improvement</u>	<u>Cemetery Trust</u>	
ASSETS							
Cash and Investments	\$ 735,637	\$ 3,879	\$ --	\$ 67,409	\$ 582,028	\$ 383,500	\$ 1,772,453
Due from Other Units of Government	44,739	--	--	--	--	--	44,739
Total Assets	\$ 780,376	\$ 3,879	\$ --	\$ 67,409	\$ 582,028	\$ 383,500	\$ 1,817,192
LIABILITIES							
Accounts Payable	\$ 2,628	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 2,628
Accrued Wages	3,420	--	--	--	--	--	3,420
Deposits Payable	--	--	--	--	--	2,000	2,000
Total Liabilities	6,048	--	--	--	--	2,000	8,048
FUND BALANCE							
Nonspendable	--	--	--	--	--	381,500	381,500
Restricted	774,328	3,879	--	67,409	582,028	--	1,427,644
Unassigned	--	--	--	--	--	--	--
Total Fund Balance	774,328	3,879	--	67,409	582,028	381,500	1,809,144
Total Liabilities and Fund Balance	\$ 780,376	\$ 3,879	\$ --	\$ 67,409	\$ 582,028	\$ 383,500	\$ 1,817,192

City of Flushing
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	<u>Special Revenue</u>		<u>Capital Projects</u>			<u>Permanent</u>	<u>Total</u>
	<u>Local Streets</u>	<u>Narcotic</u>	<u>Community Development</u>	<u>Public Improvement</u>	<u>Capital Improvement</u>	<u>Cemetery Trust</u>	<u>Nonmajor Governmental Funds</u>
Revenues							
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ 415,003	\$ --	\$ 415,003
Intergovernmental	306,582	--	63,603	--	--	--	370,185
Charges for Services	--	2,436	--	--	--	--	2,436
Interest and Rentals	68	--	--	--	611	7,239	7,918
Other Revenue	--	--	--	22,026	--	--	22,026
Total Revenues	306,650	2,436	63,603	22,026	415,614	7,239	817,568
Expenditures							
Public Works	228,084	--	--	--	511,729	--	739,813
Community and Economic Development	--	--	73,747	--	--	--	73,747
Total Expenditures	228,084	--	73,747	--	511,729	--	813,560
Excess of Revenues Over (Under) Expenditures	78,566	2,436	(10,144)	22,026	(96,115)	7,239	4,008
Other Financing Sources (Uses)							
Transfers In	--	--	9,818	--	--	2,500	12,318
Transfers Out	--	--	--	--	(73,457)	(6,800)	(80,257)
Net Other Financing Sources (Uses)	--	--	9,818	--	(73,457)	(4,300)	(67,939)
Net Change in Fund Balance	78,566	2,436	(326)	22,026	(169,572)	2,939	(63,931)
<i>Fund Balance at Beginning of Period</i>	695,762	1,443	326	45,383	751,600	378,561	1,873,075
Fund Balance at End of Period	\$ 774,328	\$ 3,879	\$ --	\$ 67,409	\$ 582,028	\$ 381,500	\$ 1,809,144

**CITY OF FLUSHING, MICHIGAN
SINGLE AUDIT ACT COMPLIANCE
YEAR ENDED JUNE 30, 2022**

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal ALN Number	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture			
U.S. Department of Agriculture Rural Development	10.760	USDA 92-02	1,481,556
<i>Total U.S. Department of Agriculture</i>			<i>1,481,556</i>
<i>Total Expenditures of Federal Awards</i>			<i>\$ 1,481,556</i>

See Notes to the Schedule of Expenditures of Federal Awards

City of Flushing

Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Flushing (the "City") under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

The City's reporting entity is defined in Note 1 of the City's Audited Financial Statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures 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. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the City has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

NOTE 3 - RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Below is a reconciliation of federal revenues as reported in the City's basic financial statements and federal expenditures as reported in the Schedule:

Loan and loan guarantees (USDA Bonds)

USDA bonds received	1,481,556
<i>Total federal expenditures reported in the Schedule:</i>	<i>\$ 1,481,556</i>

City of Flushing

Notes to the Schedule of Expenditures of Federal Awards

NOTE 4 - BALANCE OF GUARANTEED LOANS

The following schedule shows beginning balances, value of new loans received, and loan repayments for all USDA bonds payable that have continuing compliance requirements:

Loans	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>USDA Bonds Payable</i>					
Sanitary Sewer Junior Lien Revenue Bonds 2021A	\$ 336,768	\$ 1,192,550	\$ (55,000)	\$ 1,474,318	\$ 53,000
Sanitary Sewer Junior Lien Revenue Bonds 2021B	101,000	-	(35,000)	66,000	34,000
Total USDA Bonds Payable	\$ 437,768	\$ 1,192,550	\$ (90,000)	\$ 1,540,318	\$ 87,000

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 Flushing, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flushing (the "City"), as of and for the years ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 30, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Grand Rapids, MI
December 30, 2022

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

To the City Council
City of Flushing, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, the City 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, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC
Grand Rapids, MI
December 30, 2022

City of Flushing
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>ALN Number</u>
Water and Waste Disposal Systems for Rural Communities	10.760
Dollar threshold used to distinguish between Type A and B programs?	\$750,000
Auditee qualified as a low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS
--

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
--

None

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None

December 30, 2022

Honorable Mayor and Members of the City Council
City of Flushing

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flushing, Michigan (the “City”) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 17, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. There were no new accounting policies adopted and, the application of existing policies was not changed during the fiscal year ended June 30, 2022. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management’s estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension and other post-employment plans are based on historical trends and industry standards.

We evaluated key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 30, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, OPEB and pension schedules, and budgetary comparison schedules, which are required supplementary

information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, MI