City of Otsego
Allegan County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

City Commission
City of Otsego, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Otsego, Michigan, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Otsego, Michigan, as of June 30, 2020, 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.

Change in Accounting Principle

As discussed in Note 15 to the basic financial statements, the City adopted GASB Statement No. 84 *Fiduciary Activities* in fiscal year 2020, which represents a change in its policy for reporting fiduciary activities. Our opinions are not modified with respect to this matter.

Other Matters

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

Supplementary information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Otsego, Michigan's basic financial statements. The combining nonmajor fund, individual fund, and component unit financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Siegfried Crandall P.C.

October 9, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Otsego, Michigan
Management's Discussion and Analysis

The following discussion and analysis is intended as a narrative overview of the City of Otsego, Michigan's (the City) operations over the fiscal year and its financial condition on June 30, 2020. Please read it in conjunction with the City's financial statements.

Financial Highlights

- The City's total net position increased by $518,208, or 3 percent, as a result of this year's operations. The net position of the governmental activities increased by $509,052 and the net position of the business-type activities increased by $9,156.

- Of the $16,202,376 total net position reported, $4,334,568 is available to be used to meet future operating and capital improvement needs, without constraints established by debt covenants, enabling legislation, or other legal requirements.

- The General Fund's unassigned fund balance at the end of the fiscal year was $941,524, which represents 46 percent of the actual total General Fund expenditures and transfers out for the fiscal year.

Overview of the financial statements

This discussion and analysis introduces the City's basic financial statements, that follow this section, and includes a comparative analysis of the basic financial statements using summarized information from the current and prior year's government-wide financial statements.

The City's annual report is comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. Additional supplementary information is also included to provide a more detailed view of the City's financial structure and to support the information provided in the basic financial statements.

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 format similar to that of private-sector financial statements. The Statement of Net Position and the Statement of Activities are designed to be corporate-like, in that all the governmental and business-type activities are consolidated into columns that add to a total for the primary government. These statements should help the reader to answer the question: Is the City, as a whole, in a better or worse financial position as a result of this year's activities? These statements include all nonfiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are recognized, regardless of when cash is received or paid.

The Statement of Net Position reports all of the City's assets and liabilities, along with the difference between the two, which is identified as the net position. This statement combines and consolidates short-term spendable resources (e.g., cash, receivables, inventory, etc.) with capital assets. Increases and decreases in net position may serve as an indicator, over time, as to whether the City's financial position is improving or deteriorating. However, other factors must also be considered when evaluating the overall financial position, such as the status of the City's infrastructure and property tax base.

The Statement of Activities reports both the gross and net cost of the various programs and activities of the City that are funded by property taxes and other revenue sources. This presentation is intended to summarize the cost of providing the various governmental services. This Statement also shows the change in the City's net position over the fiscal year. All changes in net position are reported when the underlying events occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements report three types of activities:

1. *Governmental activities*. These activities include functions most commonly associated with government (e.g., police, fire, public works, parks, etc.). Property taxes and intergovernmental revenues usually fund these services.

2. *Business-type activities*. These activities provide services that are supported by customer user fees. The user fees are calculated to provide all, or the majority, of the operating costs involved in providing the services. The City operates two business-type activities that reflect the private-sector type operations: water and sewer services. The City operates a third activity, referred to as the Capital Project Fund, which is classified as a business-type activity because it currently involves commercial and residential plat development, the cost of which is recovered through the sale of lots.

3. *Discretely presented component unit*. Component units are legally separate organizations over which the City (the City Commission) can exercise influence and for which the City is financially accountable. The City has one component unit, the City of Otsego Downtown Development Authority/Main Street (DDA). The financial statements are primarily focused on the City. The component unit information, however, is presented to show its activity and relative financial relationship to the primary government.

Fund financial statements

Fund financial statements are presented in a manner similar to the reporting format of prior years. These statements detail the activity that has occurred in the City's most significant funds. Individual funds, or fund accounting, are necessary to track revenues and expenditures that are directly related to specific activities or required by statute/ordinance to be budgeted and accounted for separately. To be reported separately and considered as a major fund, however, a fund's total assets, liabilities, revenues, or expenditures must be at least 10 percent of the total assets, liabilities, revenues, or expenditures for all funds of that category or type.

The City's funds are classified into three categories, which each use a different accounting approach:

1. *Governmental funds.* These funds account for essentially the same functions reported as governmental activities in the government-wide financial statements mentioned above. The governmental funds statements, however, are presented on a modified accrual basis, which focuses on the short-term (60 day) sources and uses of available resources, as well as the balance of spendable resources at the end of the fiscal year. A review of these statements can show if there has been an increase or decrease in the resources available to continue providing services to our residents. The relationship between governmental activities reported in the Statement of Net Position, Statement of Activities, and the governmental funds statements is reconciled in the financial statements. The City's governmental funds include the General Fund, special revenue funds, and capital projects funds.

2. *Proprietary funds.* Proprietary funds account for the expenses involved in providing particular services to customers who are then charged fees calculated to recover the costs of operation. These funds use accrual accounting, which is the same method used by private-sector businesses. The City maintains two different types of proprietary funds: enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and land development services. Internal service funds are used to accumulate and allocate costs internally across various City functions. The DPW Motor Pool Fund serves as an internal service fund to provide contractor equipment used in the other funds. Because the equipment is rented by the hour to provide services, which predominately benefit governmental rather than business-type functions, it is included within governmental activities of the government-wide financial statements.

3. *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily property taxes, for the benefit of parties outside the City. The City is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The City's fiduciary balances and activities are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Notes to the basic financial statements

The notes provide additional information that is necessary to understand the data reported in the government-wide and fund financial statements.

Required supplementary information

Following the basic financial statements is additional required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes budgetary comparison schedules.

Supplementary information

Following the required supplementary information are combining financial statements for nonmajor governmental funds. These funds are added together and presented in a single column in the basic financial statements but are not reported individually, as with major funds, on the governmental funds financial statements. This section also includes governmental funds balance sheets, budgetary comparison schedules for each of the City's funds, and financial statements for the component unit.

Financial analysis of the City as a whole

Statement of Net Position
As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. The Statement of Net Position reveals favorable or positive balances in all three of the government-wide columns (governmental activities, business-type activities, and totals), as well as the component unit column. A negative balance would indicate a deficit situation that would require further disclosure of plans to reverse the balance in the subsequent fiscal year.

A two-year comparison of the Statement of Net Position is shown in Schedule 1. In the City's case, total assets exceeded total liabilities at the end of the fiscal year by $16,202,376. However, the majority of the City's net position, in the amount of $10,997,382, (68 percent) represents an investment in capital assets (e.g., land, streets, storm sewers, water and sewer systems, buildings, and equipment), less outstanding debt used to acquire or construct these assets. Because the City uses these capital assets to provide essential services to citizens, these assets are not available to be liquidated for future spending needs. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay the debt must be provided from other sources because the capital assets themselves cannot be used to satisfy these liabilities.

A total of $870,703 of the City's net position is restricted for public safety ($3,578) and public works ($867,125). The City may use the remaining balance of unrestricted net position of $4,334,291 to meet its ongoing obligations to citizens and creditors. The unrestricted net position for the governmental activities increased by 24 percent for the fiscal year, and the unrestricted net position for the business-type activities increased by 6 percent.

The unrestricted net position for governmental activities increased by $419,204, primarily due to receiving State Local Community Stabilization Authority (LCSA) funding of $387,623. The current level of unrestricted net position for governmental activities represents 69 percent of the fiscal year's expenses.

The unrestricted net position of the business-type activities increased by $127,662 during the year, primarily due to a reduction in capital improvement projects. The ending unrestricted balance of $2,131,875 represents 156 percent of the actual business-type expenses for the fiscal year. Although the unrestricted net position is not necessarily cash and cash equivalents, this balance could be depleted by one or more significant capital improvement projects.

Schedule 1
Statement of Net Position - Two Year Comparison

	Governmental activities		*Business-type activities*		*Totals*	
	2020	*2019*	***2020***	*2019*	***2020***	*2019*
Current and other assets	**$ 3,262,372**	$ 2,781,496	**$ 2,166,634**	$ 2,063,488	**$ 5,429,006**	$ 4,844,984
Capital assets	**5,767,332**	5,723,425	**6,450,049**	6,623,555	**12,217,381**	12,346,980
Total assets	**9,029,704**	8,504,921	**8,616,683**	8,687,043	**17,646,387**	17,191,964
Current and other liabilities	**189,253**	173,522	**34,759**	59,275	**224,012**	232,797
Long-term debt	**-**	-	**1,219,999**	1,274,999	**1,219,999**	1,274,999
Total liabilities	**189,253**	173,522	**1,254,758**	1,334,274	**1,444,011**	1,507,796
Net position:						
Net investment in capital assets	**5,767,332**	5,723,425	**5,230,050**	5,348,556	**10,997,382**	11,071,981
Restricted	**870,703**	824,762	**-**	-	**870,703**	824,762
Unrestricted	**2,202,416**	1,783,212	**2,131,875**	2,004,213	**4,334,291**	3,787,425
Total net position	**$ 8,840,451**	$ 8,331,399	**$ 7,361,925**	$ 7,352,769	**$16,202,376**	$15,684,168

Statement of Activities
A similar two-year comparison of the Statement of Activities is shown in Schedule 2. This schedule identifies many of the substantial changes that occurred in revenues and expenses over the fiscal year.

The increase in net position was higher than the prior year, as revenues increased by $350,843, while expenses only increased by $274,144.

Governmental activities increased the City's net position by $509,052 due to receiving increased LCSA funding and a $249,728 transfer to the General Fund formally closing out the Land Development Fund upon completion of the residential plat.

Business-type activities increased the City's net position by $9,156. The increase in net position was $239,760 less than the prior year, primarily due to the $249,728 transfer to the General Fund, as mentioned above.

Schedule 2
Statement of Activities - Two Year Comparison

	Governmental activities		*Business-type activities*		*Totals*	
	2020	*2019*	***2020***	*2019*	***2020***	*2019*
Program revenues:						
Charges for services	**$ 413,834**	$ 272,961	**$ 1,612,363**	$ 1,650,894	**$ 2,026,197**	$ 1,923,855
Operating grants	**629,692**	548,645	**-**	-	**629,692**	548,645
Capital grants	**5,100**	-	**-**	-	**5,100**	-
General revenues:						
Property taxes	**1,419,048**	1,396,128	**-**	-	**1,419,048**	1,396,128
Community stabilization	**355,398**	205,275	**-**	-	**355,398**	205,275
State shared revenue	**387,623**	403,828	**-**	-	**387,623**	403,828
Public service tax	**131,045**	122,176	**-**	-	**131,045**	122,176
Franchise fees	**50,685**	52,354	**-**	-	**50,685**	52,354
Investment earnings	**36,159**	30,329	**14,876**	17,235	**51,035**	47,564
Gain (loss) on sale of assets	**4,405**	10,980	**-**	(1,420)	**4,405**	9,560
Total revenues	**3,432,989**	3,042,676	**1,627,239**	1,666,709	**5,060,228**	4,709,385
Expenses:						
General government	**548,014**	551,465	**-**	-	**548,014**	551,465
Public safety	**1,315,393**	1,184,164	**-**	-	**1,315,393**	1,184,164
Public works	**1,135,779**	1,019,863	**-**	-	**1,135,779**	1,019,863
Health and welfare	**8,955**	8,797	**-**	-	**8,955**	8,797
Community and economic development	**38,680**	27,677	**-**	-	**38,680**	27,677
Recreation and culture	**126,844**	127,787	**-**	-	**126,844**	127,787
Land development	**-**	-	**-**	46,568	**-**	46,568
Sewer	**-**	-	**869,583**	856,543	**869,583**	856,543
Water	**-**	-	**498,772**	445,012	**498,772**	445,012
Total expenses	**3,173,665**	2,919,753	**1,368,355**	1,348,123	**4,542,020**	4,267,876
Excess before transfers	**259,324**	122,923	**258,884**	318,586	**518,208**	441,509
Transfers	**249,728**	69,670	**(249,728)**	(69,670)	**-**	-
Changes in net position	**$ 509,052**	$ 192,593	**$ 9,156**	$ 248,916	**$ 518,208**	$ 441,509
Net position, end of year	**$ 8,840,451**	$ 8,331,399	**$ 7,361,925**	$ 7,352,769	**$16,202,376**	$15,684,168

Financial analysis of the City's funds

The last section of the financial report, entitled Supplementary Information, includes balance sheets and statements of revenues, expenditures, and changes in fund balances in more detail for each of the City's funds. The latter statements also include the final amended budgets, as adopted and approved for each fund. These reports will likely be more familiar to City commissioners and staff, as they are more closely formatted in a manner similar to the monthly financial reports.

General Fund
The General Fund is the primary operating fund of the City. At the end of the fiscal year, total fund balance increased by $185,484 to $955,497. The ending fund balance represents 47 percent of current year expenditures and transfers out.

The City amended its expenditure budget, increasing appropriations by $48,700. Total expenditures were $97,555 less than the final amounts appropriated. The most significant expenditure variance occurred in the general government function where expenditures were $45,760 (8 percent) less than appropriated. No single item accounts for the variance, however, the City's share of cemetery expenses was $17,908 less than projected. In addition, the annual partial reappraisal of residential properties ($9,817) was postponed due to the Covid-19 pandemic and the anticipated alley repairs due to an underground electrical repair were $10,126 less than anticipated.

The General Fund subsidized the Public Safety Fund through a transfer out of $919,670 which represents 43 percent of total General Fund expenditures.

Major Street Fund
The City receives revenues from the State of Michigan to maintain 8.71 miles of major streets, as defined by Public Act 51 of 1951. Also included in this fund are operating costs to maintain the M-89 State Highway, according to contract. This year's revenues were higher than expenditures by $190,339. Fund balance at the end of the fiscal year grew to $621,483, which represents 312 percent of the current year's public works expenditures. Fund balance is accumulated to help offset future capital improvement projects.

Local Street Fund
The City receives revenues from the State of Michigan to maintain 12.64 miles of local streets, as defined by Public Act 51 of 1951. Subsidies are regularly transferred from the Major Street Fund and/or the Street and Bridge Fund to accumulate sufficient resources to cover anticipated street maintenance and capital improvement costs. Revenues and other sources (transfers in of $60,000), were less than expenditures of $483,512. Fund balance decreased by $211,101 to $38,891 at year end. Fund balance is accumulated to help offset future capital improvement projects or revenue shortfalls resulting from subsidies being temporarily redirected to other projects.

Public Safety Fund
Normal operating costs were $1,250,083 while transfers out to capital project funds were $78,550, bringing the total of expenditures plus other uses to $1,328,633. Tax revenue generated $174,505, or 13 percent of total uses of funds. The $919,670 transfer in, from the General Fund, provided 69 percent of the total uses of funds. The fund ended the year with a fund balance of $239,726 which represents 19 percent of operating costs.

Street and Bridge Fund
Allegan County voters approved a road maintenance millage to be collected as part of property taxes to help maintain and improve roads within the County. Because the County does not maintain any roads within the City, the County provides a portion of these monies to the City for capital improvement projects or road maintenance, in accordance with Michigan Compiled Laws 224.20b. Revenues exceeded expenditures and transfers to the street funds ($60,000), which caused fund balance to increase by $71,245. The restricted fund balance amounts to $206,751.

Solid Waste & Recycling Fund
This new governmental fund was created to separate out the City's transfer station and recycling functions from the General Fund. Appropriations are funded by a solid waste reduction millage, as allowed by Michigan Compiled Law 123.261 and the Allegan County Recycle Surcharge Program. Normal operating costs were $233,687; however, revenues and transfers in amounted to $230,127, which resulted in a deficit of $3,560. This year, expenditures were higher than original projections for curbside recycling and removal of collected recyclables and trash due to unfavorable market conditions.

Governmental Capital Projects Fund
This is a capital project fund used for future improvements to existing City facilities. Transfers in from the General Fund and Public Safety Fund totaled $134,215, based on projected depreciation of applicable capital assets. Revenues amounted to $9,340 and capital acquisition expenditures, totaled $26,838. This resulted in a year end fund balance of $169,414.

Equipment Replacement Fund
This is a capital project fund created to accumulate resources over time in order to purchase vehicles and equipment exceeding the $5,000 capitalization threshold. This fund had a total of $76,280 transferred in from the General and Public Safety funds, based on estimated annual depreciation of capital assets purchased by these funds. The transfer in, plus interest revenue of $980, less capital outlay expenditures of $45,112 resulted in an ending fund balance of $120,305.

Special Assessment Capital Project Fund
The fund generated revenues of $16,752 and incurred no expenditures which caused fund balance to increase by $16,752. Fund balance available for future capital improvement projects totals $360,585.

Sewer Fund
Although overall system usage was down, charges for services were $11,095 more than the prior year, primarily due to overall rate increases of 7.2 percent. Operating expenses increased by $3,591 due to increased chemical use and sewer main maintenance. Operating income amounted to $150,951, and together with net nonoperating expenses of $27,146, increased net position by $123,805 for the fiscal year. Total net position was $4,698,726 at year end, of which $947,345 was unrestricted. Unrestricted net position represents 113 percent of operating expenses and is accumulated to offset future capital improvement or maintenance projects. The balance of long-term debt amounts to $1,219,999 at year-end. User fees have been increased significantly to provide debt repayment funding while still supporting operating costs.

Water Fund
Charges for services were $16,198 less than the prior year, primarily due to a nearly 10 percent reduction in use. Operating expenses increased by $53,760 primarily due to replacement of known lead services. Operating income amounted to $124,932 and, together with interest income, increased net position by $135,079 for the fiscal year. Total net position was $2,663,199 at year end, of which $1,184,530 was unrestricted. Unrestricted net position represents 237 percent of operating expenses and is accumulated to offset future capital improvement or maintenance projects.

Proprietary Capital Projects Fund
This fund has served as a proprietary fund involved with the development of residential plats and commercial parcels with M-89 frontage. The fund transferred $249,728 to the General Fund because the remaining equity was comprised predominantly of General Fund transfers in and gains resulting from the sale of developed lots. The fund was closed at the end of the year.

Motor Pool Fund
This fund is a proprietary fund used to allocate the costs of public works equipment and supplies to the City's operating departments and component unit. Equipment is charged to departments using rental rates derived by the State. Supplies are charged at actual costs. The fund's net position decreased by $5,270 in the current year, as operating expenses exceeded interfund charges by $13,407 and the fund recognized nonoperating revenue of $8,137. Net position is comprised of an investment in capital assets of $431,071, and unrestricted net position of $359,886, totaling $790,957 at year end. The unrestricted net position is accumulated to offset future capital asset purchases.

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, 2020, amounts to $12,217,381 (net of accumulated depreciation). This investment includes a broad range of assets. Overall, there was a $129,599 decrease in the City's net investment in capital assets in the current fiscal year, comprised of $682,017 in additions, $767,415 in current depreciation, and $44,201 in losses on dispositions.

Capital acquisitions during the year included:

- $246,829 in street resurfacing projects
- $44,557 of wastewater system improvements
- $84,440 of water system improvements
- $49,628 in new Motor Pool Equipment

Additional information regarding the City's capital assets is presented in Note 5 of the notes to the basic financial statements.

Long-term debt

At the end of the fiscal year, the City had total long-term debt outstanding of $1,219,999, reflecting a decrease of $55,000 related to a timely principal payment. The debt was issued to make sewer system improvements. The City received an A2 rating from Moody's Investors Services in August of 2017. State statutes limit the amount of general obligation debt the City can issue to 10 percent of its total state equalized assessed value of property, which is equal to $12,015,290 based upon 2020 property value assessments.

Other long-term debt obligations, totaling $41,550, represent accrued compensated absences. Additional information is presented in Note 6 of the notes to the basic financial statements.

Economic factors and the 2020-21 budget and rates

Like most communities, the City of Otsego will not be immune to the effects of the Covid-19 Pandemic. With the shut-down of a major portion of the economy, the City will likely receive lower state shared revenues, which are comprised of sales and use taxes. Forecasting the anticipated reductions in state shared revenues is difficult, as there is no history of a similar event in recent times, or how long it will take for the economy to return to pre-pandemic levels. Anticipated reduction in forecasts of state shared revenues were 10 to over 20 percent and the City budgeted an approximate 13 percent reduction in General Fund state shared revenues. Act 51 revenue received in the Major and Local street funds, however, budgeted a 15 percent increase in Act 51 revenue based upon projections provided by the Michigan Department of Transportation early in the spring. With the closure of the economy, fuel sales and related transportation use taxes were reduced, so we anticipate reductions in the Act 51 revenues to both street funds.

The City's General Fund projected a 4 percent increase over the prior year, even with the significant state shared revenue reductions. Property tax revenues are projected to be 2.5 percent higher and Local Community Stabilization Authority (LCSA) funding is projected to be over 92 percent higher than the previous year's budget. The Local Community Stabilization Authority (LCSA) funding in the General Fund increased approximately $150,123 to $355,398. Pursuant to the personal property tax reforms and reductions that were enacted in 2014, small business and eligible manufacturing personal property is being phased out of the property tax process. The State established the LCSA as a separate legal entity to generate revenue on a different basis, outside of the State budgetary process, and return it to local communities according to the new program. This revenue source remains elusive to forecast, therefore, the City budgeted $240,655 as a conservative estimate for this fiscal year.

Total General Fund appropriations increased 7 percent, resulting in a projected decrease in fund balance of $249,295. This represents a continued return to the previous trend of using accumulated fund balance to cover revenue shortfalls. While this trend is not sustainable, the City continues to remain hopeful that accurate forecasting becomes available for the LCSA funding which includes anticipated growth in that funding source.

Although the street funds may realize less Act 51 revenues than projected, the Major Street Fund appropriated $315,000 for capital improvement projects. Street maintenance is a continued priority and has resulted in a street system that is in very good condition overall.

This year the City's recycling and transfer station's appropriations were moved out of the General Fund and into a newly created Solid Waste and Recycling Fund. As mentioned in the financial analysis, this fund experienced a deficit as of June 30, 2020. During the budgeting process, the City anticipated that costs to provide these services were increasing significantly and there was concern of revenues meeting expenditures. Therefore, the City levied additional solid waste reduction millage to provide additional tax dollars and increase the fund balance during the 2020-2021 fiscal year.

To bolster tax base, the City continues to pursue capital investment in the community. Current construction projects in the City include the new FEMA industrial site, which represents a 3.4 million dollar investment, and a 6 million dollar paper storage building at the local USG plant. To further encourage capital investment in the community, the City continues to work closely with Allegan County to find a developer for the old Rock-Tenn Paper Mill. Over the past year, the County used federal funds to abate the asbestos and raise the former powerhouse at the mill. Allegan County continues to work with the City to secure a developer to raze the remaining structures and develop the site for residential or mixed use. The City owns additional vacant property adjacent to the area which may also become part of a future development.

The help keep a vibrant downtown and increase possible interest in riverfront development, the City of Otsego Downtown Development Authority/Main Street is currently constructing a new community riverfront pavilion. The $300,000 project will be located along the City's Riverfront Trail and will be used for community events and a covered farmers' market. The City received $50,000 in matching MEDC funds for community donations and completed designs in the previous year.

The City's Water and Sewer funds continue to be financially sound. Although the utilities have excess capacity, due to reductions of industrial use, and the respective departments have attempted to maintain aging equipment within reduced operating budgets, the City continues a proactive campaign to update infrastructure. In addition, the State of Michigan's lead and copper rules require an inventory of possible lead services and a schedule to replace those services. The City is attempting to abate 20 percent of the lead services annually, at an average cost of $5,000 each, and is appropriating $50,000 annually for this program. Confirmation and replacement will be more expensive to do individually, however, possible future street projects may assist in this effort at a lower cost. Historically, these funds have recovered depreciation, which has left both in reasonably strong positions to maintain infrastructure and occasionally fund improvements to their respective systems.

Contacting the City's financial management

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:

Matthew Storbeck, Finance Director
City of Otsego
117 East Orleans Street
Otsego, MI 49078-1199

Phone: (269) 692-2741
E-Mail: mstorbeck@cityofotsego.org

BASIC FINANCIAL STATEMENTS

City of Otsego

STATEMENT OF NET POSITION

June 30, 2020

	Primary government			Component unit
	Governmental activities	*Business-type activities*	*Totals*	*Downtown Development Authority*
ASSETS				
Current assets:				
Cash	$ 1,797,053	$ 1,009,398	$ 2,806,451	$ 120,200
Investments	1,117,777	695,974	1,813,751	196,426
Receivables	258,882	425,830	684,712	980
Inventory	16,901	35,133	52,034	-
Prepaid items	41,457	8,400	49,857	3,170
Internal balances	8,101	(8,101)	-	-
Total current assets	3,240,171	2,166,634	5,406,805	320,776
Noncurrent assets:				
Receivables	22,201	-	22,201	-
Capital assets not being depreciated	994,095	23,052	1,017,147	98,069
Capital assets, net of accumulated depreciation	4,773,237	6,426,997	11,200,234	2,075,214
Total noncurrent assets	5,789,533	6,450,049	12,239,582	2,173,283
Total assets	9,029,704	8,616,683	17,646,387	2,494,059
LIABILITIES				
Current liabilities:				
Accounts payable	91,244	15,882	107,126	2,340
Accrued payroll liabilities	53,492	9,844	63,336	2,268
Due to other governmental units	12,000	-	12,000	-
Bonds payable - due within one year	-	55,000	55,000	-
Total current liabilities	156,736	80,726	237,462	4,608
Noncurrent liabilities:				
Compensated absences	32,517	9,033	41,550	1,658
Bonds payable	-	1,164,999	1,164,999	-
Total noncurrent liabilities	32,517	1,174,032	1,206,549	1,658
Total liabilities	189,253	1,254,758	1,444,011	6,266
NET POSITION				
Net investment in capital assets	5,767,332	5,230,050	10,997,382	2,173,283
Restricted for:				
Public safety	3,578	-	3,578	-
Public works	867,125	-	867,125	-
Unrestricted	2,202,416	2,131,875	4,334,291	314,510
Total net position	$ 8,840,451	$ 7,361,925	$ 16,202,376	$ 2,487,793

See notes to financial statements

City of Otsego

STATEMENT OF ACTIVITIES

Year ended June 30, 2020

		Program revenues			Net (expenses) revenues and changes in net position			
					Primary government			Component unit
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals	Downtown Development Authority
Functions/Programs								
Primary government								
Governmental activities:								
General government	$ 548,014	$ 91,208	$ -	$ -	$ (456,806)		$ (456,806)	
Public safety	1,315,393	298,145	5,213	-	(1,012,035)		(1,012,035)	
Public works	1,135,779	22,605	624,479	5,100	(483,595)		(483,595)	
Health and welfare	8,955	-	-	-	(8,955)		(8,955)	
Community and economic development	38,680	691	-	-	(37,989)		(37,989)	
Recreation and culture	126,844	1,185	-	-	(125,659)		(125,659)	
Total governmental activities	3,173,665	413,834	629,692	5,100	(2,125,039)		(2,125,039)	
Business-type activities:								
Sewer	869,583	988,659	-	-		$ 119,076	$ 119,076	
Water	498,772	623,704	-	-		124,932	124,932	
Total business-type activities	1,368,355	1,612,363	-	-		244,008	244,008	
Total primary government	$ 4,542,020	$ 2,026,197	$ 629,692	$ 5,100	(2,125,039)	244,008	(1,881,031)	
Component unit - Downtown Development Authority	$ 287,634	$ 36,823	$ 69,677	$ 93,747				$ (87,387)
General revenues:								
Property taxes					1,419,048	-	1,419,048	-
State shared revenue					387,623	-	387,623	-
Local community stabilization revenue					355,398	-	355,398	253,754
Public service tax					131,045	-	131,045	-
Franchise fees					50,685	-	50,685	-
Interest income					36,159	14,876	51,035	2,195
Gain on sales of capital assets					4,405	-	4,405	-
Transfers					249,728	(249,728)	-	-
Total general revenues, transfers and gain (loss) on sales of capital assets					2,634,091	(234,852)	2,399,239	255,949
Changes in net position					509,052	9,156	518,208	168,562
Net position - beginning					8,331,399	7,352,769	15,684,168	2,319,231
Net position - ending					$ 8,840,451	$ 7,361,925	$ 16,202,376	$ 2,487,793

See notes to financial statements

City of Otsego

BALANCE SHEET - *governmental funds*

June 30, 2020

	General	Special revenue: Major Street	Special revenue: Local Street	Special revenue: Public Safety	Nonmajor funds	Total governmental funds
ASSETS						
Cash	$ 569,411	$ 445,493	$ 28,655	$ 13,712	$ 554,122	$ 1,611,393
Investments	372,921	129,699	8,414	147,896	309,901	968,831
Receivables	57,009	52,661	22,379	111,951	36,303	280,303
Due from other funds	13,916	-	-	-	-	13,916
Prepaids	13,973	1,047	766	17,135	944	33,865
Total assets	$ 1,027,230	$ 628,900	$ 60,214	$ 290,694	$ 901,270	$ 2,908,308
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Payables	$ 42,508	$ 2,510	$ 17,940	$ 17,256	$ 8,075	$ 88,289
Accrued payroll liabilities	15,935	2,174	1,318	31,965	1,483	52,875
Due to other funds	1,290	2,733	2,065	1,747	2,436	10,271
Due to other governmental units	12,000	-	-	-	-	12,000
Total liabilities	71,733	7,417	21,323	50,968	11,994	163,435
Deferred inflows of resources - unavailable special assessment revenue	-	-	-	-	35,781	35,781
Fund balances (deficit):						
Nonspendable - prepaids	13,973	1,047	766	17,135	944	33,865
Restricted for:						
Public safety	-	-	-	3,578	-	3,578
Public works	-	620,436	38,125	-	206,751	865,312
Committed for:						
Public works	-	-	-	-	360,585	360,585
Capital outlay	-	-	-	-	289,719	289,719
Assigned for public safety	-	-	-	219,013	-	219,013
Unassigned (deficit)	941,524	-	-	-	(4,504)	937,020
Total fund balances	955,497	621,483	38,891	239,726	853,495	2,709,092
Total liabilities, deferred inflows of resources, and fund balances	$ 1,027,230	$ 628,900	$ 60,214	$ 290,694	$ 901,270	$ 2,908,308

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds	$ 2,709,092
Amounts reported for *governmental activities* in the statement of net position (page 14) are different because:	
Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.	5,336,261
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows in the funds.	35,781
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(31,640)
The assets and liabilities of the internal service fund are included in *governmental activities* in the statement of net position.	790,957
Net position of *governmental activities*	$ 8,840,451

See notes to financial statements

City of Otsego

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *governmental funds*

Year ended June 30, 2020

		Special revenue				
	General	*Major Street*	*Local Street*	*Public Safety*	*Nonmajor funds*	*Total governmental funds*
REVENUES						
Property taxes	$ 1,114,201	$ -	$ -	$ 174,505	$ 174,318	$ 1,463,024
Licenses and permits	51,957	-	-	89,339	-	141,296
State grants	743,021	384,803	207,828	1,057	-	1,336,709
Intergovernmental	239	-	-	184,929	131,045	316,213
Charges for services	35,535	650	-	5,019	46,695	87,899
Fines and forfeitures	-	-	-	15,283	-	15,283
Interest and rentals	15,041	3,225	2,083	2,481	13,566	36,396
Other	11,787	857	2,500	7,731	15,430	38,305
Total revenues	1,971,781	389,535	212,411	480,344	381,054	3,435,125
EXPENDITURES						
Current:						
General government	513,360	-	-	-	-	513,360
Public safety	-	-	-	1,250,083	-	1,250,083
Public works	292,344	139,217	147,145	-	234,417	813,123
Health and welfare	8,955	-	-	-	-	8,955
Community and economic development	38,680	-	-	-	-	38,680
Recreation and culture	122,951	-	-	-	-	122,951
Capital outlay	-	59,979	336,367	-	71,950	468,296
Total expenditures	976,290	199,196	483,512	1,250,083	306,367	3,215,448
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	995,491	190,339	(271,101)	(769,739)	74,687	219,677
OTHER FINANCING SOURCES (USES)						
Transfers in	249,728	-	60,000	919,670	218,615	1,448,013
Transfers out	(1,059,735)	-	-	(78,550)	(60,000)	(1,198,285)
Net other financing sources (uses)	(810,007)	-	60,000	841,120	158,615	249,728
NET CHANGES IN FUND BALANCES	185,484	190,339	(211,101)	71,381	233,302	469,405
FUND BALANCES - BEGINNING	770,013	431,144	249,992	168,345	620,193	2,239,687
FUND BALANCES - ENDING	$ 955,497	$ 621,483	$ 38,891	$ 239,726	$ 853,495	$ 2,709,092

See notes to financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *governmental funds* (Continued)

Year ended June 30, 2020

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:		
Net change in fund balance - total governmental funds (page 17)	$	469,405
Amounts reported for *governmental activities* in the statement of activities (page 15) are different because:		
Capital assets:		
Asset acquisitions		468,296
Basis of assets disposed		(9,105)
Provision for depreciation		(394,283)
Deferred inflows of resources - net decrease in unavailable special assessments		(10,273)
Changes in other assets/liabilities - net increase in compensated absences		(9,718)
The net expenses of the internal service fund are reported with governmental activities.		(5,270)
Change in net position of *governmental activities*	$	509,052

City of Otsego

STATEMENT OF NET POSITION - *proprietary funds*

June 30, 2020

	Business-type activities				*Governmental activities*
	Enterprise funds				
	Sewer	*Water*	*Nonmajor*	*Totals*	*Internal service*
ASSETS					
Current assets:					
Cash	$ 487,461	$ 521,937	$ -	$ 1,009,398	$ 185,660
Investments	199,835	496,139	-	695,974	148,946
Receivables	283,102	142,728	-	425,830	780
Due from other funds	-	-	-	-	4,570
Inventory	1,245	33,888	-	35,133	16,901
Prepaids	5,922	2,478	-	8,400	7,592
Total current assets	977,565	1,197,170	-	2,174,735	364,449
Noncurrent assets:					
Land	23,052	-	-	23,052	-
Capital assets, net of accumulated depreciation:					
Sewer system	4,948,328	-	-	4,948,328	-
Water system	-	1,478,669	-	1,478,669	-
Buildings and equipment	-	-	-	-	431,071
Total noncurrent assets	4,971,380	1,478,669	-	6,450,049	431,071
Total assets	5,948,945	2,675,839	-	8,624,784	795,520
LIABILITIES					
Current liabilities:					
Accounts payable	12,556	3,326	-	15,882	2,955
Accrued payroll liabilities	6,290	3,554	-	9,844	617
Due to other funds	5,148	2,953	-	8,101	114
Bonds payable - due within one year	55,000	-	-	55,000	-
Total current liabilities	78,994	9,833	-	88,827	3,686
Noncurrent liabilities:					
Compensated absences	6,226	2,807	-	9,033	877
Bonds payable	1,164,999	-	-	1,164,999	-
Total noncurrent liabilities	1,171,225	2,807	-	1,174,032	877
Total liabilities	1,250,219	12,640	-	1,262,859	4,563
NET POSITION					
Net investment in capital assets	3,751,381	1,478,669	-	5,230,050	431,071
Unrestricted	947,345	1,184,530	-	2,131,875	359,886
Total net position	$ 4,698,726	$ 2,663,199	$ -	$ 7,361,925	$ 790,957

See notes to financial statements

City of Otsego

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - *proprietary funds*

Year ended June 30, 2020

	Business-type activities				*Governmental activities*
	Enterprise funds				
	Sewer	*Water*	*Nonmajor*	*Totals*	*Internal service*
OPERATING REVENUES					
Charges for services	$ 971,298	$ 608,164	$ -	$ 1,579,462	$ 172,867
Other	17,361	15,540	-	32,901	18,690
Total operating revenues	988,659	623,704	-	1,612,363	191,557
OPERATING EXPENSES					
Mains	116,813	234,765	-	351,578	-
Wastewater treatment plant	418,370	-	-	418,370	-
Water pumping	-	124,539	-	124,539	-
Administration	65,048	74,442	-	139,490	-
Other	-	-	-	-	134,335
Depreciation	237,477	65,026	-	302,503	70,629
Total operating expenses	837,708	498,772	-	1,336,480	204,964
OPERATING INCOME (LOSS)	150,951	124,932	-	275,883	(13,407)
NONOPERATING REVENUES (EXPENSES)					
Gain (loss) on disposal of capital assets	-	-	-	-	4,405
Interest income	4,729	10,147	-	14,876	3,732
Interest expense	(31,875)	-	-	(31,875)	-
Total nonoperating revenues (expenses)	(27,146)	10,147	-	(16,999)	8,137
INCOME (LOSS) BEFORE TRANSFERS	123,805	135,079	-	258,884	(5,270)
TRANSFERS OUT	-	-	(249,728)	(249,728)	-
CHANGES IN NET POSITION	123,805	135,079	(249,728)	9,156	(5,270)
NET POSITION - BEGINNING	4,574,921	2,528,120	249,728	7,352,769	796,227
NET POSITION - ENDING	$ 4,698,726	$ 2,663,199	$ -	$ 7,361,925	$ 790,957

See notes to financial statements

City of Otsego

STATEMENT OF CASH FLOWS - *proprietary funds*

Year ended June 30, 2020

	Business-type activities				*Governmental activities*
	Enterprise funds				
	Sewer	*Water*	*Nonmajor*	*Totals*	*Internal service*
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 980,166	$ 622,278	$ -	$ 1,602,444	$ 17,913
Receipts from interfund services provided	-	-	-	-	172,867
Payments to suppliers	(372,519)	(282,629)	-	(655,148)	(106,774)
Payments to employees	(227,094)	(123,673)	-	(350,767)	(34,207)
Payments for interfund services received	(11,404)	(22,836)	-	(34,240)	-
Net cash provided by (used in) operating activities	369,149	193,140	-	562,289	49,799
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Increase (decrease) in due to other funds	5,038	2,907	-	7,945	2,011
Transfers out	-	-	(249,728)	(249,728)	-
Net cash provided by (used in) noncapital financing activities	5,038	2,907	(249,728)	(241,783)	2,011
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	-	-	-	-	4,405
Acquisition of capital assets	(44,557)	(84,440)	-	(128,997)	(49,628)
Decrease in payables	-	(15,796)	-	(15,796)	-
Principal payment on debt	(55,000)	-	-	(55,000)	-
Interest payment on debt	(31,875)	-	-	(31,875)	-
Net cash provided by (used in) capital and related financing activities	(131,432)	(100,236)	-	(231,668)	(45,223)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	1,675	2,436	246	4,357	1,325
Sale of investments	-	-	109,762	109,762	-
Purchase of investments	(173,709)	(196,838)	-	(370,547)	-
Net cash provided by (used in) investing activities	(172,034)	(194,402)	110,008	(256,428)	1,325
NET CHANGE IN CASH	70,721	(98,591)	(139,720)	(167,590)	7,912
CASH - BEGINNING	416,740	620,528	139,720	1,176,988	177,748
CASH - ENDING	$ 487,461	$ 521,937	$ -	$ 1,009,398	$ 185,660

See notes to financial statements

City of Otsego

STATEMENT OF CASH FLOWS - *proprietary funds* (Continued)

Year ended June 30, 2020

	Business-type activities				*Governmental activities*
	Enterprise funds				
	Sewer	*Water*	*Capital Project*	*Totals*	*Internal service*
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 150,951	$ 124,932	$ -	$ 275,883	$ (13,407)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	237,477	65,026	-	302,503	70,629
(Increase) decrease in:					
Receivables	(8,493)	(1,426)	-	(9,919)	(777)
Inventory	(451)	1,841	-	1,390	(6,203)
Prepaid expenses	585	568	-	1,153	(239)
Increase (decrease) in:					
Accounts payable	(14,246)	1,667	-	(12,579)	(694)
Accrued payroll liabilities	2,108	305	-	2,413	359
Compensated absences	1,218	227	-	1,445	131
Net cash provided by (used in) operating activities	$ 369,149	$ 193,140	$ -	$ 562,289	$ 49,799

See notes to financial statements

City of Otsego

STATEMENT OF FIDUCIARY NET POSTION - C*ustodial Fund*

June 30, 2020

	Tax Collection
ASSETS	
Cash	$ -
LIABILITIES	
Due to other governments	-
NET POSITION	
Restricted for individuals and other governments	$ -

See notes to financial statements

City of Otsego

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - C*ustodial Fund*

Year ended June 30, 2020

	Tax Collection
ADDITIONS	
Property taxes collections for other governments	$ 2,951,065
DEDUCTIONS	
Payments of property taxes to other governments	2,951,065
CHANGE IN FIDUCIARY NET POSITION	-
NET POSITION - BEGINNING	-
NET POSTION - ENDING	$ -

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Otsego, Michigan (the City), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:
The City is governed by an elected five-member Commission. As required by generally accepted accounting principles, these financial statements present the City (the primary government), located in Allegan County, and the component unit described below, for which the City is financially accountable. The component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

Otsego Downtown Development Authority:
The Authority was established pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the downtown district. The Authority is fiscally dependent on the City because the City Commission appoints the Authority's governing body and approves its budget. The City is also obligated to provide some of its tax revenues to the Authority through tax increment financing, which represents a financial burden on the City. Fiscal dependence and the financial burden relationship make the City financially accountable for the Authority and require the City to report it in its financial statements. Separate financial statements for the component unit have not been issued as management believes that these financial statements, including disclosures, contain complete information to constitute a fair presentation of the component unit.

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 City. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from 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 funds financial statements. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):
Governmental funds 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 if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, 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 revenues of the current period. All other revenue items are considered to be measurable only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund, a special revenue fund, accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's major streets.

The Local Street Fund, a special revenue fund, accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's local streets.

The Public Safety Fund, a special revenue fund, accounts for operational revenues and expenditures for the public safety activities of the City; the majority of the revenues are derived from property taxes and charges for service.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the City's sewage system and treatment plant.

The Water Fund accounts for the activities of the City's water mains and pumping facilities.

Additionally, the City reports the following fund type:

The Internal Service Fund accounts for public works operations and capital asset rentals by various City departments.

The City also reports a fiduciary fund, the Tax Collection Fund, which accounts for assets held by the City in a fiduciary capacity for other governments.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):
Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, liabilities, deferred inflows of resources, and equity:

Cash and investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are reported at fair value. Pooled investment income is proportionately allocated to all funds.

Receivables and payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded, as the City considers all receivables to be fully collectible.

Prepaids - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaids in both government-wide and fund financial statements.

Inventories - The costs of inventories are recorded as assets when purchased and charged to expenses when used. Inventories, reported in the proprietary funds, are valued at the lower of cost or market. Cost is determined under the first-in, first-out method.

Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of greater than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The City has elected to account for infrastructure assets prospectively, beginning July 1, 2003.

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

Buildings and improvements	10 - 50 years
Furniture, fixtures, and equipment	3 - 20 years
Vehicles	3 - 20 years
Sewer and water systems	50 years

Compensated absences (vacation and sick leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide and proprietary funds financial statements. A liability for these amounts is reported in the governmental funds only for employee terminations as of year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, liabilities, deferred inflows of resources, and equity (continued):

Deferred inflows of resources - The governmental funds balance sheet includes a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. The City has one item included in this category - special assessments. Special assessment revenues, which are not recognized until available (collected not later than 60 days after the end of the City's fiscal year) are deferred and recognized as an inflow of resources in the period that the assessments become available.

Net position - Net position represents the difference between assets and liabilities. The City reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the City's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the City.

Net position flow assumption - Sometimes, the City 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 report as restricted - net position and unrestricted - net position in the government-wide and proprietary funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund equity - In the fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are not in spendable form. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Commission. A formal resolution of the City Commission is required to establish, modify, or rescind a fund balance commitment. The City Commission retains the authority to assign fund balance. Unassigned fund balance is the residual classification for the amounts that do not fall into any of the above categories. When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use restricted fund balance first, followed by committed fund balance, then assigned fund balance and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before August 15, at which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. The following schedule sets forth the reportable negative budget variances:

Fund	*Function*	*Activity*	*Budget*	*Actual*	*Variance*
Local Street	Capital outlay	Capital outlay	$ 327,985	$ 336,367	$ 8,382
Public Safety	Public safety	Fire	360,430	363,795	3,365

Fund deficit - The City has an accumulated fund deficit in the Solid Waste Fund, a special revenue fund, at June 30, 2020, in the amount of $4,504. The deficit occurred because the fund's resources were insufficient to cover its expenditures in fiscal year 2020. The deficit will be eliminated through an increase in property taxes in the subsequent year.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments, as of June 30, 2020, are classified in the accompanying financial statements as follows:

	Governmental activities	*Business-type activities*	*Total primary government*	*Discretely presented component unit*	*Totals*
Cash	$ 1,797,053	$ 1,009,398	$ 2,806,451	$ 120,200	$ 2,926,651
Investments	1,117,777	695,974	1,813,751	196,426	2,010,177
Totals	$ 2,914,830	$ 1,705,372	$ 4,620,202	$ 316,626	$ 4,936,828

Cash and investments, as of June 30, 2020, consist of the following:

Cash on hand	$ 2,000
Deposits with financial institutions	2,924,651
Investments	2,010,177
Total	$ 4,936,828

Deposits - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the City's investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The City's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits. The City's investment policy addresses custodial credit risk for deposits, as the City believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the City evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories. At June 30, 2020, $1,968,819 of the City's bank balances (including the component unit) of $2,925,862 was exposed to custodial credit risk because it was uninsured and uncollateralized. The City maintains individual and pooled cash accounts for all its funds and its component unit. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component unit.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments - State statutes and the City's investment policy authorize the City to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds composed of otherwise legal investments; and f) investment pools organized under the local government investment pool act. The City's investment policy does not address credit risk or interest rate risk for investments.

Investments in entities that calculate net asset value per share - The City holds shares in an investment pool where the fair value of the investment is measured on a recurring basis using net asset value per share of the investment pool as a practical expedient. At June 30, 2020, the fair value, unfunded commitments, and redemption rules of these investments are as follows:

	Michigan CLASS
Fair value at June 30, 2020	$ 2,010,177
Unfunded commitments	none
Redemption frequency	n/a
Notice period	none

The Michigan CLASS investment Pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasury agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. The Pool purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

NOTE 4 - RECEIVABLES

Receivables as of June 30, 2020, for the City's individual major funds and nonmajor funds, in the aggregate, were as follows:

Funds	*Accounts*	*Interest*	*Property taxes*	*Special assess-ments*	*Inter-govern-mental*	*Totals*
Governmental:						
General	$ 13,447	$ 62	$ 190	$ -	$ 43,310	$ 57,009
Major Street	1,672	2	-	-	50,987	52,661
Local Street	233	-	-	-	22,146	22,379
Public Safety	880	-	-	-	111,071	111,951
Nonmajor	518	4	-	35,781	-	36,303
Total governmental	$ 16,750	$ 68	$ 190	$ 35,781	$ 227,514	$ 280,303
Noncurrent portion	$ -	$ -	$ -	$ 22,201	$ -	$ 22,201
Proprietary:						
Enterprise:						
Sewer	$ 283,102	$ -	$ -	$ -	$ -	$ 283,102
Water	142,728	-	-	-	-	142,728
Total enterprise	425,830	-	-	-	-	425,830
Internal service	260	3	-	-	517	780
Total proprietary	$ 426,090	$ 3	$ -	$ -	$ 517	$ 426,610
Component unit	$ 980	$ -	$ -	$ -	$ -	$ 980

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning balance	*Increases*	*Decreases*	*Ending balance*
Governmental activities:				
Capital assets not being depreciated	$ 844,578	$ 149,517	$ -	$ 994,095
Capital assets being depreciated:				
Buildings	2,211,883	21,737	(37,936)	2,195,684
Improvements	4,990,579	283,382	-	5,273,961
Furniture, fixtures, and equipment	817,570	98,384	(8,751)	907,203
Vehicles	1,650,653	-	(35,096)	1,615,557
Subtotal	9,670,685	403,503	(81,783)	9,992,405
Less accumulated depreciation for:				
Buildings	(1,024,777)	(52,035)	28,831	(1,047,981)
Improvements	(2,055,921)	(311,556)	-	(2,367,477)
Furniture, fixtures, and equipment	(600,959)	(62,008)	8,751	(654,216)
Vehicles	(1,110,181)	(39,313)	-	(1,149,494)
Subtotal	(4,791,838)	(464,912)	37,582	(5,219,168)
Total capital assets being depreciated, net	4,878,847	(61,409)	(44,201)	4,773,237
Governmental activities capital assets, net	$ 5,723,425	$ 88,108	$ (44,201)	$ 5,767,332

NOTE 5 - CAPITAL ASSETS (Continued)

	Beginning balance	*Increases*	*Decreases*	*Ending balance*
Business-type activities:				
Capital assets not being depreciated - land	$ 23,052	$ -	$ -	$ 23,052
Capital assets being depreciated:				
Sewer system	8,156,653	44,557	(3,000)	8,198,210
Water system	2,974,931	84,440	(11,904)	3,047,467
Subtotal	11,131,584	128,997	(14,904)	11,245,677
Less accumulated depreciation for:				
Sewer system	(3,015,405)	(237,477)	3,000	(3,249,882)
Water system	(1,515,676)	(65,026)	11,904	(1,568,798)
Subtotal	(4,531,081)	(302,503)	14,904	(4,818,680)
Total capital assets being depreciated, net	6,600,503	(173,506)	-	6,426,997
Business-type activities capital assets, net	$ 6,623,555	$ (173,506)	$ -	$ 6,450,049

	Beginning balance	*Increases*	*Decreases*	*Ending balance*
Component unit:				
Capital assets not being depreciated - land	$ 98,069	$ -	$ -	$ 98,069
Capital assets being depreciated:				
Buildings and improvements	3,023,724	20,329	-	3,044,053
Equipment	37,130	-	-	37,130
Subtotal	3,060,854	20,329	-	3,081,183
Less accumulated depreciation for:				
Buildings and improvements	(900,130)	(82,636)	-	(982,766)
Equipment	(21,347)	(1,856)	-	(23,203)
Subtotal	(921,477)	(84,492)	-	(1,005,969)
Total capital assets being depreciated, net	2,139,377	(64,163)	-	2,075,214
Component unit capital assets, net	$ 2,237,446	$ (64,163)	$ -	$ 2,173,283

NOTE 5 - CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	$ 32,056
Public safety	58,006
Public works	300,488
Recreation and culture	3,733
Depreciation on capital assets held by internal service fund	70,629
Total governmental activities	$ 464,912

NOTE 6 - LONG-TERM DEBT

At June 30, 2020, long-term debt consists of the following individual issue:

Business-type activities:	
$1,325,000 2017 State Revolving Fund revenue bonds - payable in annual installments ranging from $50,000 to $85,000, plus interest at 2.50%, final payment due April, 2038	$ 1,219,999

Long-term debt activity for the year ended June 30, 2020, was as follows:

	Beginning balance	*Additions*	*Reductions*	*Ending balance*	*Amounts due within one year*
Primary government:					
Governmental activities - compensated absences	$ 22,668	$ 65,437	$ (55,588)	$ 32,517	$ -
Business-type activities:					
SRF bonds payable	$ 1,274,999	$ -	$ (55,000)	$ 1,219,999	$ 55,000
Compensated absences	7,588	21,978	(20,533)	9,033	-
Total business-type activities	$ 1,282,587	$ 21,978	$ (75,533)	$ 1,229,032	$ 55,000
Component unit:					
Compensated absences	$ 1,462	$ 3,556	$ (3,360)	$ 1,658	$ -

NOTE 6 - LONG-TERM DEBT (Continued)

Debt service requirements at June 30, 2020, excluding compensated absences, were as follows:

Year ended June 30:	*Primary government: Business-type activities*	
	Principal	*Interest*
2021	$ 55,000	$ 30,500
2022	55,000	29,125
2023	55,000	27,750
2024	60,000	26,375
2025	60,000	24,875
2026-2030	325,000	92,625
2031-2035	365,000	54,375
2036-2038	244,999	12,375
Total	$ 1,219,999	$ 298,000

All debt of the primary government is secured by the full faith and credit of the City.

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Fund	*Interfund receivables*	*Fund*	*Interfund payables*
DPW Equipment	$ 4,570	General	$ 1,290
		Major Street	652
		Local Street	278
		Public Safety	900
		Solid Waste	511
		Sewer	114
		Water	825
			$ 4,570
General	$ 13,916	Major Street	2,081
		Local Street	1,787
		Public Safety	847
		Solid Waste	1,925
		Sewer	5,034
		Water	2,128
		DPW Equipment	114
			$ 13,916
Totals	$ 18,486		$ 18,486

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

The interfund balances, due to the DPW Equipment Fund, represent current amounts due for equipment charges. The interfund balances, due to the General Fund, represent a reallocation of wages.

Interfund transfers occurred during the year ended June 30, 2020, as follows:

Fund	*Transfers in*	*Fund*	*Transfers out*
Public Safety	$ 919,670	General	$ 919,670
Local Street	60,000	Street and Bridge	60,000
Capital Projects	134,215	General	125,335
		Public Safety	8,880
			134,215
Equipment Replacement	76,280	Capital Projects	69,670
		General	6,610
			76,280
General	249,728	Capital Projects	249,728
Solid Waste	8,120	General	8,120
Total	$ 1,448,013		$ 1,448,013

- The General Fund transfer to the Public Safety Fund represents unrestricted funds to support expenditures recorded in the Public Safety Fund.
- The Street and Bridge Fund, a nonmajor governmental fund, transferred available restricted funds to the Local Street fund to finance local street preservation costs.
- Transfers to the Capital Projects Fund, from the General and Public Safety funds, represent resources set aside for future capital acquisitions.
- Transfers to the Equipment Replacement Fund, a nonmajor governmental fund, from the Capital Projects and General funds, represent support for future capital acquisitions.
- The Capital Project Fund transferred $249,728 to the General Fund to close the fund.
- The General Fund transferred $8,120 to open the new Solid Waste Fund.

NOTE 8 - PROPERTY TAX REVENUES

The taxable valuation of the City, for the 2019 tax year, approximated $90,695,360, on which ad valorem taxes levied consisted of 11.6283 mills for operating purposes, 1.9089 mills for solid waste/recycling, and 1.9243 mills for public safety, raising approximately $1,054,000 for operating purposes, $173,000 for solid waste/recycling, and $175,000 for public safety. These amounts are recognized in the fund financial statements as property tax revenue.

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN

The City contributes to the City of Otsego Group Pension Plan (the Plan), a defined contribution pension plan, for all its full-time employees. The Plan is administered by a third-party administrator.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the City Commission. For each eligible employee in the Plan, the City is required to contribute 10% of covered payroll to the individual employee's account. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended June 30, 2020, employee contributions totaled $40,836, and the City recognized pension expense of $135,617.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in City contributions and earnings on City contributions after completion of two years of credited service with the City. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended June 30, 2020, there were no forfeitures and the City reported $3,608 in accrued liabilities as part of the contributions to the Plan.

NOTE 10 - CONTINGENT LIABILITIES

Non-vested sick pay - The City is contingently liable to its employees for $254,141 in accumulated non-vested sick pay benefits.

Lawsuit - In the normal course of its activities, the City becomes a party in various legal actions. The City is currently involved in a lawsuit, which could have a significant financial impact. Because the outcome of this lawsuit is not presently determinable, the possible range of the potential cost cannot be reasonably predicted; therefore, no accrual has been made for this amount in the financial statements. The City intends to vigorously defend its position in this case.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability, building contents, workers' compensation, employee medical, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 12 - CONSTRUCTION CODE ACT

A summary of construction code enforcement transactions for the year ended June 30, 2020, is as follows. At June 30, 2020, there was a cumulative excess of revenues of $3,172 from construction code enforcement activities.

Excess cumulative revenues, beginning of year	$ -
Revenues	$ 85,133
Expenses	81,961
Excess of revenues over expenses	$ 3,172
Excess cumulative revenues, end of year	$ 3,172

NOTE 13 - RESTRICTED NET POSITION

The government-wide statement of net position reports $870,426 of restricted net position, which is restricted by enabling legislation. Of this amount, $3,301 is restricted for public safety expenditures and $867,125 is restricted for public works expenditures.

NOTE 14 - ECONOMIC DEPENDENCY

For the fiscal year ended June 30, 2020, the City received approximately 13 percent of its utility revenues from one industrial property owner.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2019, the City adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*. As a result, a statement of fiduciary net position and a statement of changes in fiduciary net position have been presented. The statement of fiduciary net position reports all assets, liabilities, and net position of fiduciary funds, as in the past. However, liabilities are now only recognized when an event occurs that compels the government to disburse fiduciary resources. The statement of changes in fiduciary net position reports the additions and deductions from fiduciary net position, which is a new requirement for custodial funds, which replace agency funds.

NOTE 16- PENDING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for periods beginning after June 15, 2021. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE 17 - SUBSEQUENT EVENT

As a result of COVID-19, which occurred subsequent to the end of the fiscal year, economic uncertainties have arisen which are likely to negatively impact the City. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the financial impact on the City. Therefore, the City expects this matter to negatively impact its operations and financial condition. However, the related financial impact and duration cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *General Fund*

Year ended June 30, 2020

	Original budget	*Final budget*	*Actual*	*Variance with final budget positive (negative)*
REVENUES				
Property taxes	$ 1,121,470	$ 1,121,470	$ 1,114,201	$ (7,269)
Licenses and permits	53,025	53,025	51,957	(1,068)
State grants	544,000	659,655	743,021	83,366
Intergovernmental	4,800	4,800	239	(4,561)
Charges for services	22,375	35,375	35,535	160
Interest and rentals	5,500	5,500	15,041	9,541
Other	5,340	5,340	11,787	6,447
Total revenues	1,756,510	1,885,165	1,971,781	86,616
EXPENDITURES				
General government	538,420	559,120	513,360	45,760
Public works	295,000	323,000	292,344	30,656
Health and welfare	9,010	9,010	8,955	55
Community and economic development	40,075	40,075	38,680	1,395
Recreation and culture	142,640	142,640	122,951	19,689
Total expenditures	1,025,145	1,073,845	976,290	97,555
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	731,365	811,320	995,491	184,171
OTHER FINANCING SOURCES (USES)				
Transfers in	-	249,730	249,728	(2)
Transfers out	(911,460)	(1,061,130)	(1,059,735)	1,395
Net other financing sources (uses)	(911,460)	(811,400)	(810,007)	1,393
NET CHANGES IN FUND BALANCES	(180,095)	(80)	185,484	185,564
FUND BALANCES - BEGINNING	770,013	770,013	770,013	-
FUND BALANCES - ENDING	$ 589,918	$ 769,933	$ 955,497	$ 185,564

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *Major Street Fund*

Year ended June 30, 2020

	Original budget	*Final budget*	*Actual*	*Variance with final budget positive (negative)*
REVENUES				
State grants	$ 370,965	$ 398,410	$ 384,803	$ (13,607)
Charges for services	5,000	5,000	650	(4,350)
Interest	600	600	3,225	2,625
Other	-	-	857	857
Total revenues	376,565	404,010	389,535	(14,475)
EXPENDITURES				
Public works	206,420	224,920	139,217	85,703
Capital outlay	36,700	62,390	59,979	2,411
Total expenditures	243,120	287,310	199,196	88,114
NET CHANGES IN FUND BALANCES	133,445	116,700	190,339	73,639
FUND BALANCES - BEGINNING	431,144	431,144	431,144	-
FUND BALANCES - ENDING	$ 564,589	$ 547,844	$ 621,483	$ 73,639

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *Local Street Fund*

Year ended June 30, 2020

	Original budget	*Final budget*	*Actual*	*Variance with final budget positive (negative)*
REVENUES				
State grants	$ 128,255	$ 203,450	$ 207,828	$ 4,378
Charges for services	2,000	2,000	-	(2,000)
Interest	1,000	1,000	2,083	1,083
Other	-	-	2,500	2,500
Total revenues	131,255	206,450	212,411	5,961
EXPENDITURES				
Public works	165,730	180,530	147,145	33,385
Capital outlay	92,525	327,985	336,367	(8,382)
Total expenditures	258,255	508,515	483,512	25,003
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(127,000)	(302,065)	(271,101)	30,964
OTHER FINANCING SOURCES				
Transfers in	60,000	60,000	60,000	-
NET CHANGES IN FUND BALANCES	(67,000)	(242,065)	(211,101)	30,964
FUND BALANCES - BEGINNING	249,992	249,992	249,992	-
FUND BALANCES - ENDING	$ 182,992	$ 7,927	$ 38,891	$ 30,964

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *Public Safety Fund*

Year ended June 30, 2020

	Original budget	*Final budget*	*Actual*	*Variance with final budget positive (negative)*
REVENUES				
Property taxes	$ 176,605	$ 176,605	$ 174,505	$ (2,100)
Licenses and permits	34,550	96,550	89,339	(7,211)
State grants	800	800	1,057	257
Intergovernmental	105,000	105,000	184,929	79,929
Charges for services	5,250	5,250	5,019	(231)
Fines and forfeitures	16,800	16,800	15,283	(1,517)
Interest and rentals	1,500	1,500	2,481	981
Other	5,000	5,000	7,731	2,731
Total revenues	345,505	407,505	480,344	72,839
EXPENDITURES				
Public safety:				
Police Department	842,090	842,090	804,327	37,763
Fire Department	360,430	360,430	363,795	(3,365)
Building inspections	34,455	95,455	81,961	13,494
Total expenditures	1,236,975	1,297,975	1,250,083	47,892
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(891,470)	(890,470)	(769,739)	120,731
OTHER FINANCING SOURCES (USES)				
Transfers in	850,000	919,670	919,670	-
Transfers out	(8,880)	(78,550)	(78,550)	-
Net other financing sources (uses)	841,120	841,120	841,120	-
NET CHANGES IN FUND BALANCES	(50,350)	(49,350)	71,381	120,731
FUND BALANCES - BEGINNING	168,345	168,345	168,345	-
FUND BALANCES - ENDING	$ 117,995	$ 118,995	$ 239,726	$ 120,731

SUPPLEMENTARY INFORMATION

City of Otsego

COMBINING BALANCE SHEET - *nonmajor governmental funds*

June 30, 2020

	Special revenue		*Capital projects*			
	Street and Bridge	***Solid Waste***	***Capital Projects***	***Equipment Replacement***	***Special Assessment***	***Totals***
ASSETS						
Cash	$ 162,172	$ 4,674	$ 158,954	$ 1,022	$ 227,300	$ 554,122
Investments	44,579	2,298	10,457	119,283	133,284	309,901
Receivables	-	518	3	-	35,782	36,303
Prepaids	-	944	-	-	-	944
Total assets	$ 206,751	$ 8,434	$ 169,414	$ 120,305	$ 396,366	$ 901,270
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	$ -	$ 8,075	$ -	$ -	$ -	$ 8,075
Accrued payroll liabilities	-	1,483	-	-	-	1,483
Due to other funds	-	2,436	-	-	-	2,436
Total liabilities	-	11,994	-	-	-	11,994
Deferred inflows of resources - unavailable special assessment revenue	-	-	-	-	35,781	35,781
Fund balances (deficit):						
Nonspendable - prepaids	-	944	-	-	-	944
Restricted for public works	206,751	-	-	-	-	206,751
Committed for:						
Public works	-	-	-	-	360,585	360,585
Capital outlay	-	-	169,414	120,305	-	289,719
Unassigned (deficit)	-	(4,504)	-	-	-	(4,504)
Total fund balances	206,751	(3,560)	169,414	120,305	360,585	853,495
Total deferred inflows of inflows of resources and fund balances	$ 206,751	$ 8,434	$ 169,414	$ 120,305	$ 396,366	$ 901,270

City of Otsego

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *nonmajor governmental funds*

Year ended June 30, 2020

	Special revenue		*Capital projects*			
	Street and Bridge	***Solid Waste***	***Capital Projects***	***Equipment Replacement***	***Special Assessment***	***Totals***
REVENUES						
Property taxes	$ -	$ 174,318	$ -	$ -	$ -	$ 174,318
Intergovernmental	131,045	-	-	-	-	131,045
Charges for services	-	46,695	-	-	-	46,695
Interest	930	937	4,240	980	6,479	13,566
Other	-	57	5,100	-	10,273	15,430
Total revenues	131,975	222,007	9,340	980	16,752	381,054
EXPENDITURES						
Current - public works	730	233,687	-	-	-	234,417
Capital outlay	-	-	26,838	45,112	-	71,950
Total expenditures	730	233,687	26,838	45,112	-	306,367
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	131,245	(11,680)	(17,498)	(44,132)	16,752	74,687
OTHER FINANCING SOURCES (USES)						
Transfers in	-	8,120	134,215	76,280	-	218,615
Transfers out	(60,000)	-	-	-	-	(60,000)
Net other financing sources (uses)	(60,000)	8,120	134,215	76,280	-	158,615
NET CHANGES IN FUND BALANCES	71,245	(3,560)	116,717	32,148	16,752	233,302
FUND BALANCES - BEGINNING	135,506	-	52,697	88,157	343,833	620,193
FUND BALANCES - ENDING (DEFICIT)	$ 206,751	$ (3,560)	$ 169,414	$ 120,305	$ 360,585	$ 853,495

City of Otsego

BALANCE SHEET - *governmental funds*

June 30, 2020

	General	*Major Street*	*Local Street*	*Public Safety*	*Street and Bridge*	*Solid Waste*	*Capital Project*	*Equipment Replacement Capital Project*	*Special Assessment Capital Project*
ASSETS									
Cash	$ 569,411	$ 445,493	$ 28,655	$ 13,712	$ 162,172	$ 4,674	$ 158,954	$ 1,022	$ 227,300
Investments	372,921	129,699	8,414	147,896	44,579	2,298	10,457	119,283	133,284
Receivables:									
Taxes	190	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	35,781
Accounts	13,751	2,022	233	880	-	518	-	-	-
Interest	62	2	-	-	-	-	3	-	1
Due from other funds	13,916	-	-	-	-	-	-	-	-
Due from other governmental units	43,006	50,637	22,146	111,071	-	-	-	-	-
Prepaids	13,973	1,047	766	17,135	-	944	-	-	-
Total assets	$ 1,027,230	$ 628,900	$ 60,214	$ 290,694	$ 206,751	$ 8,434	$ 169,414	$ 120,305	$ 396,366
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
Liabilities:									
Accounts payable	$ 42,508	$ 2,510	$ 17,940	$ 17,256	$ -	$ 8,075	$ -	$ -	$ -
Accrued payroll liabilities	15,935	2,174	1,318	31,965	-	1,483	-	-	-
Due to other funds	1,290	2,733	2,065	1,747	-	2,436	-	-	-
Due to other governmental units	12,000	-	-	-	-	-	-	-	-
Total liabilities	71,733	7,417	21,323	50,968	-	11,994	-	-	-
Deferred inflows of resources - unavailable special assessments	-	-	-	-	-	-	-	-	35,781
Fund balances (deficit):									
Nonspendable - prepaids	13,973	1,047	766	17,135	-	944	-	-	-
Restricted for:									
Public safety	-	-	-	3,578	-	-	-	-	-
Public works	-	620,436	38,125	-	206,751	-	-	-	-
Committed for:									
Public works	-	-	-	-	-	-	-	-	360,585
Capital outlay	-	-	-	-	-	-	169,414	120,305	-
Assigned for public safety	-	-	-	219,013	-	-	-	-	-
Unassigned (deficit)	941,524	-	-	-	-	(4,504)	-	-	-
Total fund balances (deficit)	955,497	621,483	38,891	239,726	206,751	(3,560)	169,414	120,305	360,585
Total liabilities, deferred inflows of resources, and fund balances	$ 1,027,230	$ 628,900	$ 60,214	$ 290,694	$ 206,751	$ 8,434	$ 169,414	$ 120,305	$ 396,366

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *General Fund*

Year ended June 30, 2020

	Final budget	*Actual*	*Variance with final budget positive (negative)*
REVENUES			
Property taxes	$ 1,121,470	$ 1,114,201	$ (7,269)
Licenses and permits	53,025	51,957	(1,068)
State grants	659,655	743,021	83,366
Intergovernmental	4,800	239	(4,561)
Charges for services	35,375	35,535	160
Interest and rentals	5,500	15,041	9,541
Other	5,340	11,787	6,447
Total revenues	1,885,165	1,971,781	86,616
EXPENDITURES			
General government:			
Legislative	36,940	29,137	7,803
City manager	86,145	79,987	6,158
Elections	24,765	22,930	1,835
Assessor	41,500	31,913	9,587
Clerk	67,630	65,438	2,192
Board of review	1,285	1,199	86
Treasurer/finance director	192,410	192,211	199
Building and grounds	61,545	61,553	(8)
Cemetery	46,900	28,992	17,908
Total general government	559,120	513,360	45,760
Public works:			
Department of Public Works	66,280	62,417	3,863
General services	256,720	229,927	26,793
Total public works	323,000	292,344	30,656
Health and welfare - ambulance	9,010	8,955	55
Community and economic development	40,075	38,680	1,395
Recreation and culture - parks and recreation	142,640	122,951	19,689
Total expenditures	1,073,845	976,290	97,555

BUDGETARY COMPARISON SCHEDULE - *General Fund* (Continued)

Year ended June 30, 2020

	Final budget	*Actual*	*Variance with final budget positive (negative)*
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 811,320	$ 995,491	$ 184,171
OTHER FINANCING SOURCES (USES)			
Transfers in	249,730	249,728	(2)
Transfers out	(1,061,130)	(1,059,735)	1,395
Net other financing sources (uses)	(811,400)	(810,007)	1,393
NET CHANGES IN FUND BALANCES	(80)	185,484	185,564
FUND BALANCES - BEGINNING	770,013	770,013	-
FUND BALANCES - ENDING	$ 769,933	$ 955,497	$ 185,564

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *Major Street Fund*

Year ended June 30, 2020

	Final budget	*Actual*	*Variance with final budget positive (negative)*
REVENUES			
State grants	$ 398,410	$ 384,803	$ (13,607)
Charges for services	5,000	650	(4,350)
Interest	600	3,225	2,625
Other	-	857	857
Total revenues	404,010	389,535	(14,475)
EXPENDITURES			
Public works:			
Surface maintenance	58,000	47,311	10,689
Shoulder maintenance	31,615	15,518	16,097
Trees and shrubs	20,235	7,774	12,461
Drainage	20,130	18,067	2,063
Bridge maintenance	8,760	1,016	7,744
Traffic signs and signals	9,865	7,138	2,727
Winter maintenance	39,995	21,329	18,666
Administration	14,020	13,531	489
State trunk line maintenance	22,300	7,533	14,767
Total public works	224,920	139,217	85,703
Capital outlay	62,390	59,979	2,411
Total expenditures	287,310	199,196	88,114
NET CHANGES IN FUND BALANCES	116,700	190,339	73,639
FUND BALANCES - BEGINNING	431,144	431,144	-
FUND BALANCES - ENDING	$ 547,844	$ 621,483	$ 73,639

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *Local Street Fund*

Year ended June 30, 2020

	Final budget	*Actual*	*Variance with final budget positive (negative)*
REVENUES			
State grants	$ 203,450	$ 207,828	$ 4,378
Charges for services	2,000	-	(2,000)
Interest	1,000	2,083	1,083
Other	-	2,500	2,500
Total revenues	206,450	212,411	5,961
EXPENDITURES			
Public works:			
Surface maintenance	46,935	37,939	8,996
Shoulder maintenance	37,015	33,191	3,824
Trees and shrubs	24,200	19,228	4,972
Drainage	27,085	25,787	1,298
Traffic signs and signals	5,810	5,599	211
Winter maintenance	28,115	14,421	13,694
Administration	11,370	10,980	390
Total public works	180,530	147,145	33,385
Capital outlay	327,985	336,367	(8,382)
Total expenditures	508,515	483,512	25,003
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(302,065)	(271,101)	30,964
OTHER FINANCING SOURCES			
Transfers in	60,000	60,000	-
NET CHANGES IN FUND BALANCES	(242,065)	(211,101)	30,964
FUND BALANCES - BEGINNING	249,992	249,992	-
FUND BALANCES - ENDING	$ 7,927	$ 38,891	$ 30,964

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *Public Safety Fund*

Year ended June 30, 2020

	Final budget	*Actual*	*Variance with final budget positive (negative)*
REVENUES			
Property taxes	$ 176,605	$ 174,505	$ (2,100)
Licenses and permits	96,550	89,339	(7,211)
State grants	800	1,057	257
Intergovernmental	105,000	184,929	79,929
Charges for services	5,250	5,019	(231)
Fines and forfeitures	16,800	15,283	(1,517)
Interest and rentals	1,500	2,481	981
Other	5,000	7,731	2,731
Total revenues	407,505	480,344	72,839
EXPENDITURES			
Public safety:			
Police	842,090	804,327	37,763
Fire	360,430	363,795	(3,365)
Code inspections	95,455	81,961	13,494
Total public safety	1,297,975	1,250,083	47,892
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(890,470)	(769,739)	120,731
OTHER FINANCING SOURCES (USES)			
Transfers in	919,670	919,670	-
Transfers out	(78,550)	(78,550)	-
Net other financing sources (uses)	841,120	841,120	-
NET CHANGES IN FUND BALANCES	(49,350)	71,381	120,731
FUND BALANCES - BEGINNING	168,345	168,345	-
FUND BALANCES - ENDING	$ 118,995	$ 239,726	$ 120,731

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *Street and Bridge Fund*

Year ended June 30, 2020

	Final budget	*Actual*	*Variance with final budget positive (negative)*
REVENUES			
Intergovernmental	$ 72,000	$ 131,045	$ 59,045
Interest	200	930	730
Total revenues	72,200	131,975	59,775
EXPENDITURES			
Public works	750	730	20
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	71,450	131,245	59,795
OTHER FINANCING USES			
Transfers out	(60,000)	(60,000)	-
NET CHANGES IN FUND BALANCES	11,450	71,245	59,795
FUND BALANCES - BEGINNING	135,506	135,506	-
FUND BALANCES - ENDING	$ 146,956	$ 206,751	$ 59,795

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *Solid Waste Fund*

Year ended June 30, 2020

	Final budget	*Actual*	*Variance with final budget positive (negative)*
REVENUES			
Property taxes	$ 175,130	$ 174,318	$ (812)
Charges for services	46,700	46,695	(5)
Interest	-	937	937
Other	-	57	57
Total revenues	221,830	222,007	177
EXPENDITURES			
Public works	235,845	233,687	2,158
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,015)	(11,680)	2,335
OTHER FINANCING SOURCES			
Transfers in	9,515	8,120	(1,395)
NET CHANGES IN FUND BALANCES	(4,500)	(3,560)	940
FUND BALANCES - BEGINNING	-	-	-
FUND BALANCES (DEFICIT) - ENDING	$ (4,500)	$ (3,560)	$ 940

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *Capital Projects Fund*

Year ended June 30, 2020

	Final budget	*Actual*	*Variance with final budget positive (negative)*
REVENUES			
Interest	$ 3,000	$ 4,240	$ 1,240
Other - private contributions	-	5,100	5,100
Total revenues	3,000	9,340	6,340
EXPENDITURES			
Capital outlay	27,100	26,838	262
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(24,100)	(17,498)	6,602
OTHER FINANCING SOURCES			
Transfers in	134,215	134,215	-
NET CHANGES IN FUND BALANCES	110,115	116,717	6,602
FUND BALANCES - BEGINNING	52,697	52,697	-
FUND BALANCES - ENDING	$ 162,812	$ 169,414	$ 6,602

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *Equipment Replacement Fund*

Year ended June 30, 2020

	Final budget	*Actual*	*Variance with final budget positive (negative)*
REVENUES			
Interest	$ -	$ 980	$ 980
EXPENDITURES			
Capital outlay	46,135	45,112	1,023
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(46,135)	(44,132)	2,003
OTHER FINANCING SOURCES			
Transfers in	76,280	76,280	-
NET CHANGES IN FUND BALANCES	30,145	32,148	2,003
FUND BALANCES - BEGINNING	88,157	88,157	-
FUND BALANCES - ENDING	$ 118,302	$ 120,305	$ 2,003

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *Special Assessment Capital Project Fund*

Year ended June 30, 2020

	Final budget	*Actual*	*Variance with final budget positive (negative)*
REVENUES			
Interest	$ 4,565	$ 6,479	$ 1,914
Other - special assessment revenue	6,375	10,273	3,898
Total revenues	10,940	16,752	5,812
NET CHANGES IN FUND BALANCES	10,940	16,752	5,812
FUND BALANCES - BEGINNING	343,833	343,833	-
FUND BALANCES - ENDING	$ 354,773	$ 360,585	$ 5,812

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *Sewer Fund*

Year ended June 30, 2020

	Final budget	*Actual*	*Variance with final budget positive (negative)*
OPERATING REVENUES			
Charges for services	$ 1,003,695	$ 971,298	$ (32,397)
Delinquent penalties	15,000	15,099	99
Other	-	2,262	2,262
Total operating revenues	1,018,695	988,659	(30,036)
OPERATING EXPENSES			
Mains	138,205	116,813	21,392
Wastewater treatment plant	552,675	418,370	134,305
Administration	69,700	65,048	4,652
Depreciation	221,435	237,477	(16,042)
Total operating expenses	982,015	837,708	144,307
OPERATING INCOME	36,680	150,951	114,271
NONOPERATING REVENUES (EXPENSES)			
Interest income	1,200	4,729	3,529
Interest expense	(31,875)	(31,875)	-
Total nonoperating revenues (expenses)	(30,675)	(27,146)	3,529
CHANGES IN NET POSITION	6,005	123,805	117,800
NET POSITION - BEGINNING	4,574,921	4,574,921	-
NET POSITION - ENDING	$ 4,580,926	$ 4,698,726	$ 117,800

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *Water Fund*

Year ended June 30, 2020

	Final budget	*Actual*	*Variance with final budget positive (negative)*
OPERATING REVENUES			
Charges for services	$ 652,630	$ 608,164	$ (44,466)
Hydrant rentals	7,280	7,280	-
Delinquent penalties	6,800	5,734	(1,066)
Other	-	2,526	2,526
Total operating revenues	666,710	623,704	(43,006)
OPERATING EXPENSES			
Mains	328,820	234,765	94,055
Water pumping	162,345	124,539	37,806
Administration	82,170	74,442	7,728
Depreciation	72,200	65,026	7,174
Total operating expenses	645,535	498,772	146,763
OPERATING INCOME	21,175	124,932	103,757
NONOPERATING REVENUE			
Interest income	5,500	10,147	4,647
CHANGES IN NET POSITION	26,675	135,079	108,404
NET POSITION - BEGINNING	2,528,120	2,528,120	-
NET POSITION - ENDING	$ 2,554,795	$ 2,663,199	$ 108,404

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *Capital Project Fund*

Year ended June 30, 2020

	Final budget	*Actual*	*Variance with final budget positive (negative)*
TRANSFERS OUT	$ (249,728)	$ (249,728)	$ -
CHANGES IN NET POSITION	(249,728)	(249,728)	-
NET POSITION - BEGINNING	249,728	249,728	-
NET POSITION - ENDING	$ -	$ -	$ -

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *Motor Pool Fund*

Year ended June 30, 2020

	Final budget	*Actual*	*Variance with final budget positive (negative)*
OPERATING REVENUES			
Equipment rental	$ 205,000	$ 172,867	$ (32,133)
Fuel and other charges	20,000	18,690	(1,310)
Total operating revenues	225,000	191,557	(33,443)
OPERATING EXPENSES			
Equipment pool operations	138,380	134,335	4,045
Depreciation	63,000	70,629	(7,629)
Total operating expenses	201,380	204,964	(3,584)
OPERATING INCOME (LOSS)	23,620	(13,407)	(37,027)
NONOPERATING REVENUES			
Gain on sale of capital assets	8,000	4,405	(3,595)
Interest income	4,200	3,732	(468)
Total nonoperating revenues	12,200	8,137	(4,063)
CHANGES IN NET POSITION	35,820	(5,270)	(41,090)
NET POSITION - BEGINNING	796,227	796,227	-
NET POSITION - ENDING	$ 832,047	$ 790,957	$ (41,090)

City of Otsego

BALANCE SHEET - *Downtown Development Authority*

June 30, 2020

ASSETS	
Cash	$ 120,200
Investments	196,426
Receivables	980
Prepaids	3,170
Total assets	$ 320,776
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	$ 2,340
Accrued payroll liabilities	2,268
Total liabilities	4,608
Fund balance:	
Nonspendable - prepaids	3,170
Unassigned	312,998
Total fund balance	316,168
Total liabilities and fund balance	$ 320,776
Total fund balance	$ 316,168
Amounts reported for the *component unit* in the statement of net position (page 14) are different because:	
Capital assets are not financial resources and, therefore, are not reported in the fund.	2,173,283
Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund.	(1,658)
Net position of the *component unit*	$ 2,487,793

City of Otsego

BUDGETARY COMPARISON SCHEDULE - *Downtown Development Authority*

Year ended June 30, 2020

	Final budget	*Actual*	*Variance favorable (unfavorable)*
REVENUES			
State grant - local community stabilization	$ 304,000	$ 303,754	$ (246)
Interest	500	2,195	1,695
Other	177,600	150,247	(27,353)
Total revenues	482,100	456,196	(25,904)
EXPENDITURES			
Economic development	272,700	202,946	69,754
Capital outlay	200,000	20,329	179,671
Total expenditures	472,700	223,275	249,425
NET CHANGES IN FUND BALANCES	9,400	232,921	223,521
FUND BALANCES - BEGINNING	83,247	83,247	-
FUND BALANCES - ENDING	$ 92,647	$ 316,168	$ 223,521

Net change in fund balance	$ 232,921
Amounts reported for *component unit* in the statement of activities (page 15) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense:	
Asset acquisitions	20,329
Depreciation expense	(84,492)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the fund:	
Increase in accrued compensated absences	(196)
Change in net position of *component unit*	$ 168,562