

City of Otsego
Allegan County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2021

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

Correction of an Error

As described in Note 16 to the financial statements, the City recorded a prior period adjustment to correct its method of accounting for local community stabilization revenue. 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.

Sigfried Crandall P.C.

September 8, 2021

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, 2021. Please read it in conjunction with the City's financial statements.

Financial Highlights

- The City's total net position increased by \$896,024, or 5.5 percent, as a result of this year's operations. The net position of the governmental activities increased by \$494,483 and the net position of the business-type activities increased by \$401,541.
- Of the \$17,098,400 total net position reported, \$4,888,028 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 \$684,833, which represents 35 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: sewer and water services.
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 and Statement of Activities is reconciled in the governmental funds 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 sewer and water 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 \$17,098,400. However, the majority of the City's net position, in the amount of \$10,732,423 (63 percent), represents an investment in capital assets (e.g., land, streets, storm sewers, sewer and water 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 \$1,477,949 of the City's net position is restricted for public safety (\$1,193) and public works (\$1,476,756). The City may use the remaining balance of unrestricted net position of \$4,888,028 to meet its ongoing obligations to citizens and creditors. The unrestricted net position for the governmental activities increased by 1 percent for the fiscal year, and the unrestricted net position for the business-type activities increased by 25 percent.

The unrestricted net position for governmental activities increased by \$15,715, primarily due to reduced spending in some activities. The current level of unrestricted net position for governmental activities represents 67 percent of the fiscal year's expenses.

The unrestricted net position of the business-type activities increased by \$538,022 during the year, primarily due to increased revenues and a reduction in Interfund transfers out. The ending unrestricted balance of \$2,669,897 represents 193 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

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 3,909,323	\$ 3,262,372	\$ 2,724,974	\$ 2,166,634	\$ 6,634,297	\$ 5,429,006
Capital assets	<u>5,638,854</u>	<u>5,767,332</u>	<u>6,258,568</u>	<u>6,450,049</u>	<u>11,897,422</u>	<u>12,217,381</u>
Total assets	<u>9,548,177</u>	<u>9,029,704</u>	<u>8,983,542</u>	<u>8,616,683</u>	<u>18,531,719</u>	<u>17,646,387</u>
Current and other liabilities	<u>213,243</u>	<u>189,253</u>	<u>55,077</u>	<u>34,759</u>	<u>268,320</u>	<u>224,012</u>
Long-term debt	<u>-</u>	<u>-</u>	<u>1,164,999</u>	<u>1,219,999</u>	<u>1,164,999</u>	<u>1,219,999</u>
Total liabilities	<u>213,243</u>	<u>189,253</u>	<u>1,220,076</u>	<u>1,254,758</u>	<u>1,433,319</u>	<u>1,444,011</u>
Net position:						
Net investment in capital assets	<u>5,638,854</u>	<u>5,767,332</u>	<u>5,093,569</u>	<u>5,230,050</u>	<u>10,732,423</u>	<u>10,997,382</u>
Restricted	<u>1,477,949</u>	<u>870,703</u>	<u>-</u>	<u>-</u>	<u>1,477,949</u>	<u>870,703</u>
Unrestricted	<u>2,218,131</u>	<u>2,202,416</u>	<u>2,669,897</u>	<u>2,131,875</u>	<u>4,888,028</u>	<u>4,334,291</u>
Total net position	<u>\$ 9,334,934</u>	<u>\$ 8,840,451</u>	<u>\$ 7,763,466</u>	<u>\$ 7,361,925</u>	<u>\$17,098,400</u>	<u>\$16,202,376</u>

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 \$516,008, while expenses only increased by \$138,192.

Governmental activities increased the City's net position by \$494,483 primarily due to receiving \$172,969 in capital grants and recognizing \$134,973 in gains on sales of capital assets.

Business-type activities increased the City's net position by \$401,541. The increase in net position was \$392,385 more than the prior year, primarily due to a \$249,728 transfer to the General Fund in the prior year and a \$144,745 increase in charges for services.

Schedule 2
Statement of Activities - Two Year Comparison

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Program revenues:						
Charges for services	\$ 381,931	\$ 413,834	\$ 1,757,108	\$ 1,612,363	\$ 2,139,039	\$ 2,026,197
Operating grants	744,943	760,737	-	-	744,943	760,737
Capital grants	178,069	5,100	-	-	178,069	5,100
General revenues:						
Property taxes	1,472,516	1,419,048	-	-	1,472,516	1,419,048
Community stabilization	321,205	355,398	-	-	321,205	355,398
State shared revenue	458,156	387,623	-	-	458,156	387,623
Franchise fees	49,732	50,685	-	-	49,732	50,685
Investment earnings	2,916	36,159	1,355	14,876	4,271	51,035
Insurance recoveries	41,175	-	27,752	-	68,927	-
Gain (loss) on sale of assets	139,378	4,405	-	-	139,378	4,405
Total revenues	<u>3,790,021</u>	<u>3,432,989</u>	<u>1,786,215</u>	<u>1,627,239</u>	<u>5,576,236</u>	<u>5,060,228</u>
Expenses:						
General government	651,385	548,014	-	-	651,385	548,014
Public safety	1,401,904	1,315,393	-	-	1,401,904	1,315,393
Public works	1,061,522	1,135,779	-	-	1,061,522	1,135,779
Health and welfare	4,478	8,955	-	-	4,478	8,955
Community and economic development	30,355	38,680	-	-	30,355	38,680
Recreation and culture	145,894	126,844	-	-	145,894	126,844
Sewer	-	-	856,736	869,583	856,736	869,583
Water	-	-	527,938	498,772	527,938	498,772
Total expenses	<u>3,295,538</u>	<u>3,173,665</u>	<u>1,384,674</u>	<u>1,368,355</u>	<u>4,680,212</u>	<u>4,542,020</u>
Excess before transfers	494,483	259,324	401,541	258,884	896,024	518,208
Transfers	-	249,728	-	(249,728)	-	-
Changes in net position	<u>\$ 494,483</u>	<u>\$ 509,052</u>	<u>\$ 401,541</u>	<u>\$ 9,156</u>	<u>\$ 896,024</u>	<u>\$ 518,208</u>
Net position, end of year	<u>\$ 9,334,934</u>	<u>\$ 8,840,451</u>	<u>\$ 7,763,466</u>	<u>\$ 7,361,925</u>	<u>\$17,098,400</u>	<u>\$16,202,376</u>

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 \$13,285 to \$719,161. The ending fund balance represents 37 percent of current year expenditures and transfers out.

The City amended its expenditure budget, increasing appropriations by \$62,490, in order to provide funding for several small unanticipated expenditures, hail damage repairs approaching 50,000, and to pay off a special assessment of \$15,000 to facilitate a land sale. Total expenditures were \$134,568 less than the final amounts appropriated. The most significant expenditure variance occurred in the general government function where expenditures were \$63,128 (11 percent) less than appropriated. No single item accounts for the variance; however, the City's share of cemetery expenses was \$18,723 less than projected. In addition, Economic Development contracts was down \$5,000, as well as travel and training related expenditures due to the Covid-19 Pandemic.

The General Fund subsidized the Public Safety Fund through a transfer out of \$957,377 which represents 50 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 \$255,202. Fund balance at the end of the fiscal year grew to \$876,685, which represents 606 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 \$80,000), were more than expenditures of \$286,981. Fund balance increased by \$51,263 to \$90,154 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 \$1,474,015 while transfers out to capital project funds were \$127,320, bringing the total of expenditures plus other uses to \$1,601,335. Tax revenue generated \$177,315, or 11 percent of total uses of funds. The \$866,832 transfer in, from the General Fund, provided 54 percent of the total uses of funds. The fund ended the year with a fund balance of \$259,737 which represents 18 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 (\$80,000), which caused fund balance to increase by \$63,764. The restricted fund balance amounts to \$270,515.

Solid Waste & Recycling Fund

This 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, including transfers to capital project funds of \$5,445, were \$240,264; however, revenues amounted to \$319,094, which resulted in an increase in fund balance of \$78,830.

Governmental Capital Projects Fund

This is a capital project fund used for future improvements to existing City facilities. Transfers in from the General Fund, Public Safety Fund, and Solid Waste & Recycling Fund totaled \$88,675, based on projected depreciation of applicable capital assets. The transfer in, plus interest of \$200, less capital outlay expenditures of \$22,535 resulted in an ending fund balance of \$235,754.

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 \$118,710 transferred in from the General Fund, Public Safety Fund, and Solid Waste & Recycling Fund, based on estimated annual depreciation of capital assets purchased by these funds. The transfer in, plus interest revenue of \$137, less capital outlay expenditures of \$36,688 resulted in an ending fund balance of \$202,464.

Special Assessment Capital Project Fund

The fund generated revenues of \$43,947, received a \$15,925 transfer from the General fund, and incurred no expenditures which caused fund balance to increase by \$59,872. Fund balance available for future capital improvement projects totals \$420,457.

Sewer Fund

A usage increase of 6 percent, plus an overall rate increase of 4.3 percent, resulted in an increase in charges for services of \$83,228 from the prior year. Operating expenses decreased \$18,753 due to a reduction in personnel costs. Operating income amounted to \$256,808, and together with net nonoperating expenses of \$20,137, increased net position by \$236,671 for the fiscal year. Total net position was \$4,935,397 at year end, of which \$1,324,447 was unrestricted. Unrestricted net position represents 162 percent of operating expenses and is accumulated to offset future capital improvement or maintenance projects. The balance of long-term debt amounts to \$1,164,999 at year-end. User fees have been increased significantly to provide debt repayment funding while still supporting operating costs.

Water Fund

A similar usage increase of 6 percent, plus an overall rate increase of 2 percent, resulted in an increase in charges for services of \$51,604 from the prior year. Operating expenses increased by \$29,166 primarily due to continued replacement of known lead services. Operating income amounted to \$153,407 and, together with nonoperating revenues, increased net position by \$164,870 for the fiscal year. Total net position was \$2,828,069 at year end, of which \$1,345,450 was unrestricted. Unrestricted net position represents 255 percent of operating expenses and is accumulated to offset future capital improvement or maintenance projects.

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 increased by \$49,449 in the current year, as interfund charges exceeded operating expenses by \$28,656 and the fund recognized nonoperating revenue of \$20,793. Net position is comprised of an investment in capital assets of \$450,174, and unrestricted net position of \$390,232, totaling \$840,406 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, 2021, amounts to \$11,897,422 (net of accumulated depreciation). This investment includes a broad range of assets. Overall, there was a \$319,959 net decrease in the City's net investment in capital assets in the current fiscal year, comprised of \$600,942 in additions, \$803,283 in current depreciation, and \$117,618 in dispositions.

Capital acquisitions during the year included:

- \$153,955 in street improvement projects
- \$147,936 for air packs of which \$138,603 was provided through a federal grant
- \$44,537 of wastewater system improvements
- \$69,376 of water system improvements
- \$101,177 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 \$1,164,999, reflecting a decrease of \$55,000 related to a timely principal payment. The debt was issued in a prior year 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 \$12,634,180 based upon 2021 property value assessments.

Other long-term debt obligations, totaling \$46,648, represent accrued compensated absences. Additional information is presented in Note 6 of the notes to the basic financial statements.

Economic factors and the 2021-22 budget and rates

The City of Otsego, as well as most other communities across the nation, continues to wonder what the long-term financial, operational, and staffing impacts will be due to the Covid-19 Pandemic. While the financial impact has been minimal to the City over the past year, accurate future predictions remain elusive. When the new budget was being compiled and adopted, there was an air of optimism due to the economy opening up and the number of Covid-19 cases declining. Now, nearly four months later, Covid cases and subsequently hospitalizations are increasing and more of the public are again wearing face masks. There has not yet been a return to mandated business closures, however, nearly every community can identify businesses that have been lost due to the financial stresses of the pandemic. Therefore, this pandemic will have lasting economic effects on nearly all communities and will likely cause long-term operational and staffing changes for most organizations.

Because of the pandemic, the federal government is providing additional grant monies through the states to help offset pandemic related costs and to help stimulate the economy. The City of Otsego will receive approximately \$418,000 in Coronavirus State and Local Fiscal Relief Funds (CSLFRF) provided by the American Rescue Plan Act of 2021 (ARPA) over the next year to use in one of four areas: public health and economic impacts; premium pay to workers performing essential work during the pandemic; revenue losses incurred by the local government; or for water, sewer or broadband infrastructure improvements. Because the City of Otsego has had relatively little direct financial impact from the pandemic, the City is planning to use these monies for water and sewer infrastructure improvements in 2023. Initial engineering and planning costs will be budgeted to determine the best use of these funds which must be spent by the end of 2026.

As mentioned, to date, the City has experienced relatively little direct financial impact due to the pandemic. Property values continue to increase in the community and trigger millage reductions in accordance with the Headlee Amendment to the State Constitution. Commercial, industrial, and residential property values increased an average of 7.4, 10.2 and 4.1 percent, respectively, while the Consumer Price Index used by the State was only 1.4 percent. This resulted in a millage rollback of one percent. Even with the rollback, however, the property tax revenue projection increased by 5 percent. The budget for State Shared Revenues also increased (based on State projections) by nearly 14 percent. The City's General Fund projected revenues budgeted an overall increase of 6.3 percent over the previous year.

Total General Fund appropriations increased 1.2 percent, resulting in a projected decrease in fund balance of \$190,620. This represents a continued use of 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.

The Major and Local Street Funds both budgeted reductions under one percent for Act 51 Revenues (gas and weight taxes collected by the State), however, each fund continued to maintain services and include capital preservation projects. The Major Street Fund budgeted \$35,000 and the Local Street Fund budgeted \$123,000 for street surface preservation (slurry-seal).

The Solid Waste and Recycling Fund is now in a much stronger financial position than the previous year. The millage increase and allocation correction of LCSA Funds left the fund with a positive fund balance of \$239,402 which represents one year of operations plus other uses of funds. Millage reductions are anticipated in future years to reduce this fund balance to 25 percent of anticipated operations.

Capital investment in the community continues to occur. Last year two new facilities were under construction, the 3.4 million dollar FEMA industrial site and 6 million dollar paper storage building were completed and are now occupied and in use. Allegan County has secured federal funding to raze the old Rock-Tenn Paper Mill site and that process is underway. The mill site has attracted a developer who anticipates working with the County and City to construct a mixed-use development on the site. Additionally, a smaller early 1920's industrial site has been purchased with anticipation of redevelopment for new industrial use(s).

To help keep a vibrant downtown and increase possible interest in riverfront development, the City of Otsego Downtown Development Authority/Main Street is completing construction of a new community riverfront pavilion. The \$300,000 project is 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 a previous fiscal 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

STATEMENT OF NET POSITION

June 30, 2021

	Primary government			Component unit
	Governmental activities	Business-type activities	Totals	Downtown Development Authority
ASSETS				
Current assets:				
Cash	\$ 1,667,041	\$ 1,065,348	\$ 2,732,389	\$ 95,893
Investments	1,744,056	1,152,043	2,896,099	287,006
Receivables	389,372	461,298	850,670	630
Prepaid expenses	70,341	12,825	83,166	1,430
Inventories	16,210	33,739	49,949	-
Internal balances	279	(279)	-	-
Total current assets	<u>3,887,299</u>	<u>2,724,974</u>	<u>6,612,273</u>	<u>384,959</u>
Noncurrent assets:				
Receivables	22,024	-	22,024	-
Capital assets not being depreciated	903,714	23,052	926,766	98,069
Capital assets, net of accumulated depreciation	<u>4,735,140</u>	<u>6,235,516</u>	<u>10,970,656</u>	<u>1,452,562</u>
Total noncurrent assets	<u>5,660,878</u>	<u>6,258,568</u>	<u>11,919,446</u>	<u>1,550,631</u>
Total assets	<u>9,548,177</u>	<u>8,983,542</u>	<u>18,531,719</u>	<u>1,935,590</u>
LIABILITIES				
Current liabilities:				
Accounts payable	119,988	26,673	146,661	56,804
Accrued payroll liabilities	56,694	11,036	67,730	3,692
Accrued interest payable	-	7,281	7,281	-
Bonds payable - due within one year	-	55,000	55,000	-
Total current liabilities	<u>176,682</u>	<u>99,990</u>	<u>276,672</u>	<u>60,496</u>
Noncurrent liabilities:				
Compensated absences	36,561	10,087	46,648	-
Bonds payable - due in more than one year	-	1,109,999	1,109,999	-
Total noncurrent liabilities	<u>36,561</u>	<u>1,120,086</u>	<u>1,156,647</u>	<u>-</u>
Total liabilities	<u>213,243</u>	<u>1,220,076</u>	<u>1,433,319</u>	<u>60,496</u>
NET POSITION				
Net investment in capital assets	5,638,854	5,093,569	10,732,423	1,550,631
Restricted for:				
Public safety	1,193	-	1,193	-
Public works	1,476,756	-	1,476,756	-
Unrestricted	<u>2,218,131</u>	<u>2,669,897</u>	<u>4,888,028</u>	<u>324,463</u>
Total net position	<u>\$ 9,334,934</u>	<u>\$ 7,763,466</u>	<u>\$ 17,098,400</u>	<u>\$ 1,875,094</u>

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended June 30, 2021

Functions/Programs	Net (expenses) revenues and changes in net position							
	Expenses	Program revenues			Primary government			Component unit
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals	Downtown Development Authority
Primary government								
Governmental activities:								
General government	\$ 651,385	\$ 74,679	\$ -	\$ -	\$ (576,706)	\$ (576,706)		
Public safety	1,401,904	261,478	47,453	138,603	(954,370)	(954,370)		
Public works	1,061,522	43,919	697,490	34,466	(285,647)	(285,647)		
Health and welfare	4,478	-	-	-	(4,478)	(4,478)		
Community and economic development	30,355	370	-	-	(29,985)	(29,985)		
Recreation and culture	145,894	1,485	-	5,000	(139,409)	(139,409)		
Total governmental activities	<u>3,295,538</u>	<u>381,931</u>	<u>744,943</u>	<u>178,069</u>	<u>(1,990,595)</u>	<u>(1,990,595)</u>		
Business-type activities:								
Sewer	856,736	1,075,763	-	-	\$ 219,027	\$ 219,027		
Water	527,938	681,345	-	-	153,407	153,407		
Total business-type activities	<u>1,384,674</u>	<u>1,757,108</u>	<u>-</u>	<u>-</u>	<u>372,434</u>	<u>372,434</u>		
Total primary government	<u>\$ 4,680,212</u>	<u>\$ 2,139,039</u>	<u>\$ 744,943</u>	<u>\$ 178,069</u>	<u>(1,990,595)</u>	<u>372,434</u>	<u>(1,618,161)</u>	
Component unit - Downtown Development Authority	<u>\$ 225,995</u>	<u>\$ 6,011</u>	<u>\$ 257,566</u>	<u>\$ -</u>			<u>\$ 37,582</u>	
General revenues:								
Property taxes				1,472,516	-	1,472,516	-	
State shared revenue				458,156	-	458,156	-	
Local community stabilization revenue				321,205	-	321,205	-	
Franchise fees				49,732	-	49,732	-	
Interest income				2,916	1,355	4,271	266	
Insurance recoveries				41,175	27,752	68,927	-	
Gain (loss) on sales of capital assets				139,378	-	139,378	(650,547)	
Total general revenues, transfers and gain (loss) on sales of capital assets				<u>2,485,078</u>	<u>29,107</u>	<u>2,514,185</u>	<u>(650,281)</u>	
Changes in net position				494,483	401,541	896,024	(612,699)	
Net position - beginning				<u>8,840,451</u>	<u>7,361,925</u>	<u>16,202,376</u>	<u>2,487,793</u>	
Net position - ending				<u>\$ 9,334,934</u>	<u>\$ 7,763,466</u>	<u>\$ 17,098,400</u>	<u>\$ 1,875,094</u>	

See notes to financial statements

BALANCE SHEET - governmental funds

June 30, 2021

	Special revenue					Total governmental funds
	General	Major Street	Local Street	Public Safety	Nonmajor funds	
ASSETS						
Cash	\$ 482,620	\$ 279,256	\$ 81,262	\$ 66,146	\$ 535,979	\$ 1,445,263
Investments	193,397	529,848	8,422	85,982	777,312	1,594,961
Receivables	97,016	67,849	21,532	136,618	87,817	410,832
Prepays	34,328	1,035	1,002	25,082	1,148	62,595
Total assets	<u>\$ 807,361</u>	<u>\$ 877,988</u>	<u>\$ 112,218</u>	<u>\$ 313,828</u>	<u>\$ 1,402,256</u>	<u>\$ 3,513,651</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Payables	\$ 55,951	\$ 488	\$ 21,320	\$ 20,799	\$ 3,885	\$ 102,443
Accrued payroll liabilities	19,999	815	744	31,936	2,385	55,879
Due to other funds	-	-	-	1,356	-	1,356
Due to other governmental units	12,250	-	-	-	-	12,250
Total liabilities	<u>88,200</u>	<u>1,303</u>	<u>22,064</u>	<u>54,091</u>	<u>6,270</u>	<u>171,928</u>
Deferred inflows of resources - unavailable special assessment revenue	-	-	-	-	27,394	27,394
Fund balances:						
Nonspendable - prepaids	34,328	1,035	1,002	25,082	1,148	62,595
Restricted for:						
Public safety	-	-	-	1,193	-	1,193
Public works	-	875,650	89,152	-	508,769	1,473,571
Committed for:						
Public safety	-	-	-	233,462	-	233,462
Public works	-	-	-	-	420,457	420,457
Capital outlay	-	-	-	-	438,218	438,218
Unassigned	684,833	-	-	-	-	684,833
Total fund balances	<u>719,161</u>	<u>876,685</u>	<u>90,154</u>	<u>259,737</u>	<u>1,368,592</u>	<u>3,314,329</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 807,361</u>	<u>\$ 877,988</u>	<u>\$ 112,218</u>	<u>\$ 313,828</u>	<u>\$ 1,402,256</u>	<u>\$ 3,513,651</u>

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

Total fund balance - total governmental funds \$ 3,314,329

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. 5,188,680

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows in the funds. 27,394

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (35,875)

The assets and liabilities of the internal service fund are included in *governmental activities* in the statement of net position. 840,406Net position of *governmental activities* \$ 9,334,934

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

Year ended June 30, 2021

	<u>Special revenue</u>					<u>Total governmental funds</u>
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Public Safety</u>	<u>Nonmajor funds</u>	
REVENUES						
Property taxes	\$ 1,132,926	\$ -	\$ -	\$ 177,315	\$ 207,596	\$ 1,517,837
Licenses and permits	50,863	-	-	43,232	-	94,095
Federal grants	-	-	-	180,615	-	180,615
State grants	681,631	392,112	138,927	44,613	53,786	1,311,069
Intergovernmental	3,979	-	-	201,198	144,210	349,387
Charges for services	18,700	7,185	-	7,562	53,459	86,906
Fines and forfeitures	-	-	-	9,822	-	9,822
Interest and rentals	1,227	371	25	231	1,580	3,434
Other	12,403	100	374	4,437	47,043	64,357
Total revenues	<u>1,901,729</u>	<u>399,768</u>	<u>139,326</u>	<u>669,025</u>	<u>507,674</u>	<u>3,617,522</u>
EXPENDITURES						
Current:						
General government	505,622	-	-	-	-	505,622
Public safety	-	-	-	1,474,015	-	1,474,015
Public works	288,987	144,566	104,489	-	235,351	773,393
Health and welfare	4,478	-	-	-	-	4,478
Community and economic development	30,355	-	-	-	-	30,355
Recreation and culture	142,800	-	-	-	-	142,800
Capital outlay	-	-	182,492	-	59,223	241,715
Total expenditures	<u>972,242</u>	<u>144,566</u>	<u>286,981</u>	<u>1,474,015</u>	<u>294,574</u>	<u>3,172,378</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>929,487</u>	<u>255,202</u>	<u>(147,655)</u>	<u>(804,990)</u>	<u>213,100</u>	<u>445,144</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	-	-	118,918	-	-	118,918
Insurance recoveries	41,175	-	-	-	-	41,175
Transfers in	-	-	80,000	866,832	223,310	1,170,142
Transfers out	(957,377)	-	-	(127,320)	(85,445)	(1,170,142)
Net other financing sources (uses)	<u>(916,202)</u>	<u>-</u>	<u>198,918</u>	<u>739,512</u>	<u>137,865</u>	<u>160,093</u>
NET CHANGES IN FUND BALANCES	13,285	255,202	51,263	(65,478)	350,965	605,237
FUND BALANCES - BEGINNING	<u>705,876</u>	<u>621,483</u>	<u>38,891</u>	<u>325,215</u>	<u>1,017,627</u>	<u>2,709,092</u>
FUND BALANCES - ENDING	<u>\$ 719,161</u>	<u>\$ 876,685</u>	<u>\$ 90,154</u>	<u>\$ 259,737</u>	<u>\$ 1,368,592</u>	<u>\$ 3,314,329</u>

See notes to financial statements

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

Year ended June 30, 2021

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)	\$ 605,237
Amounts reported for <i>governmental activities</i> in the statement of activities (page 15) are different because:	
Capital assets:	
Asset acquisitions	385,851
Provision for depreciation	(418,315)
Basis of assets disposed	(115,117)
Deferred inflows of resources - net decrease in unavailable special assessments	(8,387)
Changes in other assets/liabilities - net increase in compensated absences	(4,235)
The net expenses of the internal service fund are reported with governmental activities.	<u>49,449</u>
Change in net position of <i>governmental activities</i>	<u>\$ 494,483</u>

STATEMENT OF NET POSITION - proprietary funds

June 30, 2021

	<i>Business-type activities</i>			<i>Governmental</i>
	<i>Enterprise funds</i>			<i>activities</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	<i>Internal service</i>
ASSETS				
Current assets:				
Cash	\$ 745,679	\$ 319,669	\$ 1,065,348	\$ 221,778
Investments	285,040	867,003	1,152,043	149,095
Receivables	310,603	150,695	461,298	564
Due from other funds	-	-	-	1,635
Inventories	1,684	32,055	33,739	16,210
Prepays	8,906	3,919	12,825	7,746
Total current assets	<u>1,351,912</u>	<u>1,373,341</u>	<u>2,725,253</u>	<u>397,028</u>
Noncurrent assets:				
Land	23,052	-	23,052	-
Capital assets, net of accumulated depreciation:				
Sewer system	4,752,897	-	4,752,897	-
Water system	-	1,482,619	1,482,619	-
Buildings and equipment	-	-	-	450,174
Total noncurrent assets	<u>4,775,949</u>	<u>1,482,619</u>	<u>6,258,568</u>	<u>450,174</u>
Total assets	<u>6,127,861</u>	<u>2,855,960</u>	<u>8,983,821</u>	<u>847,202</u>
LIABILITIES				
Current liabilities:				
Accounts payable	6,212	20,461	26,673	5,295
Accrued payroll liabilities	7,060	3,976	11,036	815
Accrued interest payable	7,281	-	7,281	-
Due to other funds	196	83	279	-
Bonds payable - due within one year	55,000	-	55,000	-
Total current liabilities	<u>75,749</u>	<u>24,520</u>	<u>100,269</u>	<u>6,110</u>
Noncurrent liabilities:				
Compensated absences	6,716	3,371	10,087	686
Bonds payable - due in more than one year	1,109,999	-	1,109,999	-
Total noncurrent liabilities	<u>1,116,715</u>	<u>3,371</u>	<u>1,120,086</u>	<u>686</u>
Total liabilities	<u>1,192,464</u>	<u>27,891</u>	<u>1,220,355</u>	<u>6,796</u>
NET POSITION				
Net investment in capital assets	3,610,950	1,482,619	5,093,569	450,174
Unrestricted	1,324,447	1,345,450	2,669,897	390,232
Total net position	<u>\$ 4,935,397</u>	<u>\$ 2,828,069</u>	<u>\$ 7,763,466</u>	<u>\$ 840,406</u>

See notes to financial statements

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

Year ended June 30, 2021

	<i>Business-type activities</i>			<i>Governmental</i>
	<i>Enterprise funds</i>			<i>activities</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	<i>Internal service</i>
OPERATING REVENUES				
Charges for services	\$ 1,054,526	\$ 659,768	\$ 1,714,294	\$ 190,096
Other	21,237	21,577	42,814	15,336
Total operating revenues	<u>1,075,763</u>	<u>681,345</u>	<u>1,757,108</u>	<u>205,432</u>
OPERATING EXPENSES				
Mains	120,272	274,495	394,767	-
Wastewater treatment plant	396,266	-	396,266	-
Water pumping	-	118,789	118,789	-
Administration	62,449	69,228	131,677	-
Other	-	-	-	97,202
Depreciation	239,968	65,426	305,394	79,574
Total operating expenses	<u>818,955</u>	<u>527,938</u>	<u>1,346,893</u>	<u>176,776</u>
OPERATING INCOME (LOSS)	<u>256,808</u>	<u>153,407</u>	<u>410,215</u>	<u>28,656</u>
NONOPERATING REVENUES (EXPENSES)				
Insurance recoveries	17,207	10,545	27,752	-
Gain (loss) on disposal of capital assets	-	-	-	20,460
Interest income	437	918	1,355	333
Interest expense	(37,781)	-	(37,781)	-
Total nonoperating revenues (expenses)	<u>(20,137)</u>	<u>11,463</u>	<u>(8,674)</u>	<u>20,793</u>
CHANGES IN NET POSITION	236,671	164,870	401,541	49,449
NET POSITION - BEGINNING	<u>4,698,726</u>	<u>2,663,199</u>	<u>7,361,925</u>	<u>790,957</u>
NET POSITION - ENDING	<u>\$ 4,935,397</u>	<u>\$ 2,828,069</u>	<u>\$ 7,763,466</u>	<u>\$ 840,406</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended June 30, 2021

	<u>Business-type activities</u>			<u>Governmental</u>
	<u>Enterprise funds</u>			<u>activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	<u>Internal service</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,048,262	\$ 673,378	\$ 1,721,640	\$ 15,546
Receipts from interfund services provided	-	-	-	190,096
Payments to suppliers	(359,904)	(289,272)	(649,176)	(71,426)
Payments to employees	(214,750)	(131,405)	(346,155)	(22,892)
Payments for interfund services received	(12,840)	(23,321)	(36,161)	-
Net cash provided by (used in) operating activities	<u>460,768</u>	<u>229,380</u>	<u>690,148</u>	<u>111,324</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
(Increase) decrease in due from other funds	-	-	-	2,935
Increase (decrease) in due to other funds	(4,952)	(2,871)	(7,823)	(114)
Net cash provided by (used in) noncapital financing activities	<u>(4,952)</u>	<u>(2,871)</u>	<u>(7,823)</u>	<u>2,821</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Insurance recoveries	17,207	10,545	27,752	-
Proceeds from sales of capital assets	-	-	-	22,960
Acquisition of capital assets	(44,537)	(69,376)	(113,913)	(101,177)
Principal payment on capital debt	(55,000)	-	(55,000)	-
Interest payments on capital debt	(30,500)	-	(30,500)	-
Net cash provided by (used in) capital and related financing activities	<u>(112,830)</u>	<u>(58,831)</u>	<u>(171,661)</u>	<u>(78,217)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	138	54	192	190
Sale of investments	70,250	-	70,250	-
Purchase of investments	(155,156)	(370,000)	(525,156)	-
Net cash provided by (used in) investing activities	<u>(84,768)</u>	<u>(369,946)</u>	<u>(454,714)</u>	<u>190</u>
NET CHANGE IN CASH	<u>258,218</u>	<u>(202,268)</u>	<u>55,950</u>	<u>36,118</u>
CASH - BEGINNING	<u>487,461</u>	<u>521,937</u>	<u>1,009,398</u>	<u>185,660</u>
CASH - ENDING	<u>\$ 745,679</u>	<u>\$ 319,669</u>	<u>\$ 1,065,348</u>	<u>\$ 221,778</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended June 30, 2021

	<u>Business-type activities</u>			<u>Governmental</u>
	<u>Enterprise funds</u>			<u>activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	<u>Internal service</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 256,808	\$ 153,407	\$ 410,215	\$ 28,656
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	239,968	65,426	305,394	79,574
(Increase) decrease in:				
Receivables	(27,501)	(7,967)	(35,468)	210
Inventories	(439)	1,833	1,394	691
Prepaid expenses	(2,984)	(1,441)	(4,425)	(154)
Increase (decrease) in:				
Accounts payable	(6,344)	17,136	10,792	2,340
Accrued payroll liabilities	770	422	1,192	198
Compensated absences	490	564	1,054	(191)
Net cash provided by (used in) operating activities	<u>\$ 460,768</u>	<u>\$ 229,380</u>	<u>\$ 690,148</u>	<u>\$ 111,324</u>

STATEMENT OF FIDUCIARY NET POSTION - Custodial Fund

June 30, 2021

	<u>Tax Collection</u>
ASSETS	
Cash	\$ -
LIABILITIES	
Due to other governments	-
NET POSITION	
Restricted for individuals and other governments	<u>\$ -</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - Custodial Fund

Year ended June 30, 2021

	<u>Tax Collection</u>
ADDITIONS	
Property taxes collections for other governments	\$ 3,026,427
DEDUCTIONS	
Payments of property taxes to other governments	<u>3,026,427</u>
CHANGE IN FIDUCIARY NET POSITION	-
NET POSITION - BEGINNING	<u>-</u>
NET POSTION - ENDING	<u>\$ -</u>

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 custodial 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." 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.

Prepays - 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 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. No reportable negative budget variances occurred during the current fiscal year.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments, as of June 30, 2021, are classified in the accompanying financial statements as follows:

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Total primary government</i>	<i>Discretely presented component unit</i>	<i>Totals</i>
Cash	\$ 1,667,041	\$ 1,065,348	\$ 2,732,389	\$ 95,893	\$ 2,828,282
Investments	<u>1,744,056</u>	<u>1,152,043</u>	<u>2,896,099</u>	<u>287,006</u>	<u>3,183,105</u>
Totals	<u>\$ 3,411,097</u>	<u>\$ 2,217,391</u>	<u>\$ 5,628,488</u>	<u>\$ 382,899</u>	<u>\$ 6,011,387</u>

Cash and investments, as of June 30, 2021, consist of the following:

Cash on hand	\$ 1,554
Deposits with financial institutions	2,826,727
Investments	<u>3,183,106</u>
Total	<u>\$ 6,011,387</u>

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, 2021, \$1,996,243 of the City’s bank balances (including the component unit) of \$2,850,422 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, 2021, the fair value, unfunded commitments, and redemption rules of these investments are as follows:

	<u>Michigan CLASS</u>
Fair value at June 30, 2021	\$ 3,183,106
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, 2021, for the City's individual major funds, nonmajor funds, in the aggregate, and component unit, were as follows:

<u>Funds</u>	<u>Accounts</u>	<u>Interest</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter-governmental</u>	<u>Totals</u>
Governmental:						
General	\$ 13,035	\$ 13	\$ 190	\$ -	\$ 83,778	\$ 97,016
Major Street	2,097	5	-	-	65,747	67,849
Local Street	455	-	-	-	21,077	21,532
Public Safety	3,107	-	-	-	133,511	136,618
Nonmajor	<u>723</u>	<u>-</u>	<u>-</u>	<u>27,394</u>	<u>59,700</u>	<u>87,817</u>
Total governmental	<u>\$ 19,417</u>	<u>\$ 18</u>	<u>\$ 190</u>	<u>\$ 27,394</u>	<u>\$ 363,813</u>	<u>\$ 410,832</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,024</u>	<u>\$ -</u>	<u>\$ 22,024</u>
Proprietary:						
Enterprise:						
Sewer	\$ 310,603	\$ -	\$ -	\$ -	\$ -	\$ 310,603
Water	<u>150,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,695</u>
Total enterprise	461,298	-	-	-	-	461,298
Internal service	<u>564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>564</u>
Total proprietary	<u>\$ 461,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 461,862</u>
Component unit	<u>\$ 630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 630</u>

NOTE 5 - CAPITAL ASSETS

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

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated	\$ 994,095	\$ 24,737	\$ (115,118)	\$ 903,714
Capital assets being depreciated:				
Buildings	2,195,684	22,535	-	2,218,219
Improvements	5,273,961	153,955	-	5,427,916
Furniture, fixtures, and equipment	907,203	209,878	(55,925)	1,061,156
Vehicles	1,615,557	79,719	(31,712)	1,663,564
Subtotal	<u>9,992,405</u>	<u>466,087</u>	<u>(87,637)</u>	<u>10,370,855</u>
Less accumulated depreciation for:				
Buildings	(1,047,981)	(49,201)	-	(1,097,182)
Improvements	(2,367,477)	(307,929)	-	(2,675,406)
Furniture, fixtures, and equipment	(654,216)	(66,235)	53,425	(667,026)
Vehicles	(1,149,494)	(78,319)	31,712	(1,196,101)
Subtotal	<u>(5,219,168)</u>	<u>(501,684)</u>	<u>85,137</u>	<u>(5,635,715)</u>
Total capital assets being depreciated, net	<u>4,773,237</u>	<u>(35,597)</u>	<u>(2,500)</u>	<u>4,735,140</u>
Governmental activities capital assets, net	<u>\$ 5,767,332</u>	<u>\$ (10,860)</u>	<u>\$ (117,618)</u>	<u>\$ 5,638,854</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities:				
Capital assets not being depreciated - land	\$ 23,052	\$ -	\$ -	\$ 23,052
Capital assets being depreciated:				
Sewer system	8,198,210	44,537	-	8,242,747
Water system	3,047,467	69,376	-	3,116,843
Subtotal	11,245,677	113,913	-	11,359,590
Less accumulated depreciation for:				
Sewer system	(3,249,882)	(239,968)	-	(3,489,850)
Water system	(1,568,798)	(65,426)	-	(1,634,224)
Subtotal	(4,818,680)	(305,394)	-	(5,124,074)
Total capital assets being depreciated, net	6,426,997	(191,481)	-	6,235,516
Business-type activities capital assets, net	<u>\$ 6,450,049</u>	<u>\$ (191,481)</u>	<u>\$ -</u>	<u>\$ 6,258,568</u>
	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Component unit:				
Capital assets not being depreciated - land	\$ 98,069	\$ -	\$ -	\$ 98,069
Capital assets being depreciated:				
Buildings and improvements	3,044,053	237,808	(1,173,922)	2,107,939
Equipment	37,130	-	-	37,130
Subtotal	3,081,183	237,808	(1,173,922)	2,145,069
Less accumulated depreciation for:				
Buildings and improvements	(982,766)	(58,057)	373,375	(667,448)
Equipment	(23,203)	(1,856)	-	(25,059)
Subtotal	(1,005,969)	(59,913)	373,375	(692,507)
Total capital assets being depreciated, net	2,075,214	177,895	(800,547)	1,452,562
Component unit capital assets, net	<u>\$ 2,173,283</u>	<u>\$ 177,895</u>	<u>\$ (800,547)</u>	<u>\$ 1,550,631</u>

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	68,300
Public works	314,883
Recreation and culture	3,076
Depreciation on capital assets held by internal service fund	<u>79,574</u>
 Total governmental activities	 <u>\$ 497,889</u>

NOTE 6 - LONG-TERM DEBT

At June 30, 2021, 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	<u>\$ 1,164,999</u>

Long-term debt activity for the year ended June 30, 2021, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Primary government:					
Governmental activities - compensated absences	<u>\$ 32,517</u>	<u>\$ 62,830</u>	<u>\$ (58,786)</u>	<u>\$ 36,561</u>	<u>\$ -</u>
Business-type activities:					
SRF bonds payable	\$ 1,219,999	\$ -	\$ (55,000)	\$ 1,164,999	\$ 55,000
Compensated absences	<u>9,033</u>	<u>23,077</u>	<u>(22,023)</u>	<u>10,087</u>	<u>-</u>
Total business-type activities	<u>\$ 1,229,032</u>	<u>\$ 23,077</u>	<u>\$ (77,023)</u>	<u>\$ 1,175,086</u>	<u>\$ 55,000</u>
Component unit:					
Compensated absences	<u>\$ 1,658</u>	<u>\$ 5,890</u>	<u>\$ (6,292)</u>	<u>\$ 1,256</u>	<u>\$ -</u>

NOTE 6 - LONG-TERM DEBT (Continued)

Debt service requirements at June 30, 2021, excluding compensated absences, were as follows:

<i>Year ended</i> <u>June 30:</u>	<i>Primary government:</i> <u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 55,000	\$ 29,125
2023	55,000	27,750
2024	60,000	26,375
2025	60,000	24,875
2026	60,000	23,375
2027-2031	335,000	93,000
2032-2036	375,000	49,250
2037-2038	<u>164,999</u>	<u>6,250</u>
Total	<u>\$ 1,164,999</u>	<u>\$ 280,000</u>

All debt is secured by the full faith and credit of the City and is considered direct placement debt.

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Fund</u>	<u>Interfund payables</u>
DPW Equipment	<u>\$ 1,635</u>	Public Safety	1,356
		Sewer	195
		Water	<u>84</u>
			<u>\$ 1,635</u>

The interfund balances, due to the DPW Equipment Fund, represent current amounts due for equipment charges.

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

Interfund transfers occurred during the year ended June 30, 2021, as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Public Safety	\$ 866,832	General	\$ 866,832
Local Street	80,000	Street and Bridge	80,000
Capital Projects	88,675	General	59,175
		Public Safety	25,930
		Solid Waste	3,570
			<u>88,675</u>
Equipment Replacement	118,710	General	15,445
		Public Safety	101,390
		Solid Waste	1,875
			<u>118,710</u>
Special Assessment	15,925	General	15,925
Total	<u>\$ 1,170,142</u>		<u>\$ 1,170,142</u>

- 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 represent resources set aside for future capital acquisitions.
- Transfers to the Equipment Replacement Fund represent support for future capital acquisitions.
- The General Fund transferred \$15,925 to the Special Assessment fund to pay off an assessment balance.

NOTE 8 - PROPERTY TAX REVENUES

The taxable valuation of the City, for the 2020 tax year, amounted to \$93,054,353, on which ad valorem taxes levied consisted of 11.4748 mills for operating purposes, 2.2101 mills for solid waste/recycling, and 1.8988 mills for public safety, raising approximately \$1,079,000 for operating purposes, \$207,000 for solid waste/recycling, and \$177,000 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, 2021, employee contributions totaled \$41,728, and the City recognized pension expense of \$136,047.

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, 2021, 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

The City is contingently liable to its employees for \$280,489 in accumulated non-vested sick pay benefits.

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, 2021, is as follows. At June 30, 2021, there was a cumulative excess of revenues of \$945 from construction code enforcement activities.

Excess cumulative revenues, beginning of year	<u>\$ 3,172</u>
Revenues	\$ 39,451
Expenses	<u>41,678</u>
Deficiency of revenues over expenses	<u>\$ (2,227)</u>
Excess cumulative revenues, end of year	<u>\$ 945</u>

NOTE 13 - RESTRICTED NET POSITION

The government-wide statement of net position reports \$1,477,949 of restricted net position, which is restricted by enabling legislation. Of this amount, \$1,193 is restricted for public safety expenditures and \$1,476,756 is restricted for public works expenditures.

NOTE 14 - ECONOMIC DEPENDENCY

For the fiscal year ended June 30, 2021, the City received approximately 18 percent of its utility revenues from two industrial property owners.

NOTE 15 - 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 16 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been recorded in fiscal year 2021 to correct the method of accounting used for local community stabilization revenue that resulted in a restatement of opening fund balance of several governmental funds. The opening net position of governmental activities remained the same. Fund balance, as of June 30, 2020, included in the fund financial statements, represents restated balances as presented below.

	<i>Fund balance</i>		
	<u>General</u>	<u>Public Safety</u>	<u>Solid Waste</u>
Beginning of year, as previously reported	\$ 955,497	\$ 239,726	\$ (3,560)
Prior period adjustment - reclassification of local community stabilization revenue	<u>(249,621)</u>	<u>85,489</u>	<u>164,132</u>
Beginning of year, as restated	<u>\$ 705,876</u>	<u>\$ 325,215</u>	<u>\$ 160,572</u>

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2021

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 1,138,600	\$ 1,138,600	\$ 1,132,926	\$ (5,674)
Licenses and permits	52,775	52,775	50,863	(1,912)
State grants	604,230	587,050	681,631	94,581
Intergovernmental	-	-	3,979	3,979
Charges for services	21,550	21,550	18,700	(2,850)
Interest and rentals	5,500	5,500	1,227	(4,273)
Other	5,000	13,925	12,403	(1,522)
Total revenues	<u>1,827,655</u>	<u>1,819,400</u>	<u>1,901,729</u>	<u>82,329</u>
EXPENDITURES				
General government	548,750	568,750	505,622	63,128
Public works	291,620	308,620	288,987	19,633
Health and welfare	9,500	9,500	4,478	5,022
Community and economic development	50,540	50,540	30,355	20,185
Recreation and culture	143,910	169,400	142,800	26,600
Total expenditures	<u>1,044,320</u>	<u>1,106,810</u>	<u>972,242</u>	<u>134,568</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>783,335</u>	<u>712,590</u>	<u>929,487</u>	<u>216,897</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	41,175	41,175	-
Transfers out	(1,032,630)	(1,048,560)	(957,377)	91,183
Net other financing sources (uses)	<u>(1,032,630)</u>	<u>(1,007,385)</u>	<u>(916,202)</u>	<u>91,183</u>
NET CHANGES IN FUND BALANCES				
	(249,295)	(294,795)	13,285	308,080
FUND BALANCES - BEGINNING				
	<u>705,876</u>	<u>705,876</u>	<u>705,876</u>	<u>-</u>
FUND BALANCES - ENDING				
	<u>\$ 456,581</u>	<u>\$ 411,081</u>	<u>\$ 719,161</u>	<u>\$ 308,080</u>

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended June 30, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
State grants	\$ 422,950	\$ 422,950	\$ 392,112	\$ (30,838)
Charges for services	5,000	5,000	7,185	2,185
Interest	2,000	2,000	371	(1,629)
Other	-	-	100	100
Total revenues	<u>429,950</u>	<u>429,950</u>	<u>399,768</u>	<u>(30,182)</u>
EXPENDITURES				
Public works	211,290	214,140	144,566	69,574
Capital outlay	<u>315,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>526,290</u>	<u>214,140</u>	<u>144,566</u>	<u>69,574</u>
NET CHANGES IN FUND BALANCES	(96,340)	215,810	255,202	39,392
FUND BALANCES - BEGINNING	<u>621,483</u>	<u>621,483</u>	<u>621,483</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 525,143</u>	<u>\$ 837,293</u>	<u>\$ 876,685</u>	<u>\$ 39,392</u>

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended June 30, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 146,075	\$ 146,075	\$ 138,927	\$ (7,148)
Charges for services	2,000	2,000	-	(2,000)
Interest	1,000	1,000	25	(975)
Other	-	-	374	374
Total revenues	<u>149,075</u>	<u>149,075</u>	<u>139,326</u>	<u>(9,749)</u>
EXPENDITURES				
Public works	174,515	176,515	104,489	72,026
Capital outlay	-	210,000	182,492	27,508
Total expenditures	<u>174,515</u>	<u>386,515</u>	<u>286,981</u>	<u>99,534</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(25,440)</u>	<u>(237,440)</u>	<u>(147,655)</u>	<u>89,785</u>
OTHER FINANCING SOURCES				
Sale of capital assets	-	118,915	118,918	3
Transfers in	60,000	80,000	80,000	-
Total other financing sources	<u>60,000</u>	<u>198,915</u>	<u>198,918</u>	<u>3</u>
NET CHANGES IN FUND BALANCES	34,560	(38,525)	51,263	89,788
FUND BALANCES - BEGINNING	<u>38,891</u>	<u>38,891</u>	<u>38,891</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 73,451</u>	<u>\$ 366</u>	<u>\$ 90,154</u>	<u>\$ 89,788</u>

BUDGETARY COMPARISON SCHEDULE - Public Safety Fund

Year ended June 30, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 178,290	\$ 178,290	\$ 177,315	\$ (975)
Licenses and permits	27,050	44,050	43,232	(818)
Federal grants	1,200	1,200	180,615	
State grants	-	182,545	44,613	(137,932)
Intergovernmental	203,580	208,580	201,198	(7,382)
Charges for services	5,250	5,250	7,562	2,312
Fines and forfeitures	16,800	16,800	9,822	(6,978)
Interest and rentals	1,500	1,500	231	(1,269)
Other	-	-	4,437	4,437
	<u>433,670</u>	<u>638,215</u>	<u>669,025</u>	<u>(148,605)</u>
Total revenues				
EXPENDITURES				
Public safety:				
Police Department	877,435	884,435	857,270	27,165
Fire Department	359,530	614,530	575,066	39,464
Building inspections	27,395	44,595	41,679	2,916
	<u>1,264,360</u>	<u>1,543,560</u>	<u>1,474,015</u>	<u>69,545</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(830,690)</u>	<u>(905,345)</u>	<u>(804,990)</u>	<u>(79,060)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	958,010	958,010	866,832	(91,178)
Transfers out	<u>(127,320)</u>	<u>(127,320)</u>	<u>(127,320)</u>	<u>-</u>
Net other financing sources (uses)	<u>830,690</u>	<u>830,690</u>	<u>739,512</u>	<u>(91,178)</u>
NET CHANGES IN FUND BALANCES	-	(74,655)	(65,478)	(170,238)
FUND BALANCES - BEGINNING	<u>325,215</u>	<u>325,215</u>	<u>325,215</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 325,215</u>	<u>\$ 250,560</u>	<u>\$ 259,737</u>	<u>\$ (170,238)</u>

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - nonmajor governmental funds

June 30, 2021

	<u>Special revenue</u>		<u>Capital projects</u>			<u>Totals</u>
	<u>Street and Bridge</u>	<u>Solid Waste</u>	<u>Capital Projects</u>	<u>Equipment Replacement</u>	<u>Special Assessment</u>	
ASSETS						
Cash	\$ 66,186	\$186,450	\$ 175,279	\$ 1,044	\$ 107,020	\$ 535,979
Investments	144,629	57,351	60,475	201,420	313,437	777,312
Receivables	59,700	723	-	-	27,394	87,817
Prepays	-	1,148	-	-	-	1,148
Total assets	<u>\$ 270,515</u>	<u>\$245,672</u>	<u>\$ 235,754</u>	<u>\$ 202,464</u>	<u>\$ 447,851</u>	<u>\$ 1,402,256</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 3,885	\$ -	\$ -	\$ -	\$ 3,885
Accrued payroll liabilities	-	2,385	-	-	-	2,385
Total liabilities	-	6,270	-	-	-	6,270
Deferred inflows of resources - unavailable special assessment revenue						
	-	-	-	-	27,394	27,394
Fund balances:						
Nonspendable - prepaids	-	1,148	-	-	-	1,148
Restricted for public works	270,515	238,254	-	-	-	508,769
Committed for:						
Public works	-	-	-	-	420,457	420,457
Capital outlay	-	-	235,754	202,464	-	438,218
Total fund balances	<u>270,515</u>	<u>239,402</u>	<u>235,754</u>	<u>202,464</u>	<u>420,457</u>	<u>1,368,592</u>
Total deferred inflows of inflows of resources and fund balances	<u>\$ 270,515</u>	<u>\$245,672</u>	<u>\$ 235,754</u>	<u>\$ 202,464</u>	<u>\$ 447,851</u>	<u>\$ 1,402,256</u>

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

Year ended June 30, 2021

	<u>Special revenue</u>		<u>Capital projects</u>			<u>Totals</u>
	<u>Street and Bridge</u>	<u>Solid Waste</u>	<u>Capital Projects</u>	<u>Equipment Replacement</u>	<u>Special Assessment</u>	
REVENUES						
Property taxes	\$ -	\$ 207,596	\$ -	\$ -	\$ -	\$ 207,596
State grants	-	53,786	-	-	-	53,786
Intergovernmental	144,210	-	-	-	-	144,210
Charges for services	-	53,459	-	-	-	53,459
Interest	86	64	200	137	1,093	1,580
Other	-	4,189	-	-	42,854	47,043
Total revenues	<u>144,296</u>	<u>319,094</u>	<u>200</u>	<u>137</u>	<u>43,947</u>	<u>507,674</u>
EXPENDITURES						
Current - public works	532	234,819	-	-	-	235,351
Capital outlay	-	-	22,535	36,688	-	59,223
Total expenditures	<u>532</u>	<u>234,819</u>	<u>22,535</u>	<u>36,688</u>	<u>-</u>	<u>294,574</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>143,764</u>	<u>84,275</u>	<u>(22,335)</u>	<u>(36,551)</u>	<u>43,947</u>	<u>213,100</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	88,675	118,710	15,925	223,310
Transfers out	(80,000)	(5,445)	-	-	-	(85,445)
Net other financing sources (uses)	<u>(80,000)</u>	<u>(5,445)</u>	<u>88,675</u>	<u>118,710</u>	<u>15,925</u>	<u>137,865</u>
NET CHANGES IN FUND BALANCES	<u>63,764</u>	<u>78,830</u>	<u>66,340</u>	<u>82,159</u>	<u>59,872</u>	<u>350,965</u>
FUND BALANCES - BEGINNING	<u>206,751</u>	<u>160,572</u>	<u>169,414</u>	<u>120,305</u>	<u>360,585</u>	<u>1,017,627</u>
FUND BALANCES - ENDING	<u>\$ 270,515</u>	<u>\$ 239,402</u>	<u>\$ 235,754</u>	<u>\$ 202,464</u>	<u>\$ 420,457</u>	<u>\$ 1,368,592</u>

BALANCE SHEET - governmental funds

June 30, 2021

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Public Safety</u>	<u>Street and Bridge</u>	<u>Solid Waste</u>	<u>Capital Project</u>	<u>Equipment Replacement Capital Project</u>	<u>Special Assessment Capital Project</u>
ASSETS									
Cash	\$ 443,699	\$ 279,256	\$ 81,262	\$ 66,146	\$ 66,186	\$ 186,450	\$ 175,279	\$ 1,044	\$ 107,020
Investments	193,397	529,848	8,422	85,982	144,629	57,351	60,475	201,420	313,437
Receivables:									
Taxes	190	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	27,394
Accounts	13,035	2,097	455	3,107	-	723	-	-	-
Interest	13	5	-	-	-	-	-	-	-
Due from other governmental units	83,778	65,747	21,077	133,511	59,700	-	-	-	-
Prepays	34,328	1,035	1,002	25,082	-	1,148	-	-	-
	<u>34,328</u>	<u>1,035</u>	<u>1,002</u>	<u>25,082</u>	<u>-</u>	<u>1,148</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 768,440</u>	<u>\$ 877,988</u>	<u>\$ 112,218</u>	<u>\$ 313,828</u>	<u>\$ 270,515</u>	<u>\$ 245,672</u>	<u>\$ 235,754</u>	<u>\$ 202,464</u>	<u>\$ 447,851</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 17,030	\$ 488	\$ 21,320	\$ 20,799	\$ -	\$ 3,885	\$ -	\$ -	\$ -
Accrued payroll liabilities	19,999	815	744	31,936	-	2,385	-	-	-
Due to other funds	-	-	-	1,356	-	-	-	-	-
Due to other governmental units	12,250	-	-	-	-	-	-	-	-
	<u>12,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>49,279</u>	<u>1,303</u>	<u>22,064</u>	<u>54,091</u>	<u>-</u>	<u>6,270</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources - unavailable special assessments	-	-	-	-	-	-	-	-	27,394
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,394</u>
Fund balances:									
Nonspendable - prepaids	34,328	1,035	1,002	25,082	-	1,148	-	-	-
Restricted for:									
Public safety	-	-	-	1,193	-	-	-	-	-
Public works	-	875,650	89,152	-	270,515	238,254	-	-	-
Committed for:									
Public safety	-	-	-	233,462	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	420,457
Capital outlay	-	-	-	-	-	-	235,754	202,464	-
Assigned for public safety	-	-	-	-	-	-	-	-	-
Unassigned	684,833	-	-	-	-	-	-	-	-
	<u>684,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>719,161</u>	<u>876,685</u>	<u>90,154</u>	<u>259,737</u>	<u>270,515</u>	<u>239,402</u>	<u>235,754</u>	<u>202,464</u>	<u>420,457</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 768,440</u>	<u>\$ 877,988</u>	<u>\$ 112,218</u>	<u>\$ 313,828</u>	<u>\$ 270,515</u>	<u>\$ 245,672</u>	<u>\$ 235,754</u>	<u>\$ 202,464</u>	<u>\$ 447,851</u>

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2021

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
Property taxes	\$ 1,138,600	\$ 1,132,926	\$ (5,674)
Licenses and permits	52,775	50,863	(1,912)
State grants	587,050	681,631	94,581
Intergovernmental	-	3,979	3,979
Charges for services	21,550	18,700	(2,850)
Interest and rentals	5,500	1,227	(4,273)
Other	13,925	12,403	(1,522)
Total revenues	<u>1,819,400</u>	<u>1,901,729</u>	<u>82,329</u>
EXPENDITURES			
General government:			
Legislative	28,540	17,863	10,677
City manager	95,290	88,481	6,809
Elections	32,090	28,645	3,445
Assessor	42,055	36,083	5,972
Clerk	72,575	68,391	4,184
Board of review	1,505	790	715
Treasurer/finance director	206,805	198,624	8,181
Building and grounds	43,265	38,843	4,422
Cemetery	46,625	27,902	18,723
Total general government	<u>568,750</u>	<u>505,622</u>	<u>63,128</u>
Public works:			
Department of Public Works	69,835	67,141	2,694
General services	238,785	221,846	16,939
Total public works	<u>308,620</u>	<u>288,987</u>	<u>19,633</u>
Health and welfare - ambulance	<u>9,500</u>	<u>4,478</u>	<u>5,022</u>
Community and economic development:			
Planning Commission	13,550	719	12,831
Economic development	36,990	29,636	7,354
Total community and economic development	<u>50,540</u>	<u>30,355</u>	<u>20,185</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2021

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Recreation and culture - parks and recreation	\$ 169,400	\$ 142,800	\$ 26,600
Total expenditures	<u>1,106,810</u>	<u>972,242</u>	<u>134,568</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>712,590</u>	<u>929,487</u>	<u>216,897</u>
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	41,175	41,175	-
Transfers out	<u>(1,048,560)</u>	<u>(957,377)</u>	<u>91,183</u>
Net other financing sources (uses)	<u>(1,007,385)</u>	<u>(916,202)</u>	<u>91,183</u>
NET CHANGES IN FUND BALANCES	(294,795)	13,285	308,080
FUND BALANCES - BEGINNING	<u>705,876</u>	<u>705,876</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 411,081</u>	<u>\$ 719,161</u>	<u>\$ 308,080</u>

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended June 30, 2021

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
State grants	\$ 422,950	\$ 392,112	\$ (30,838)
Charges for services	5,000	7,185	2,185
Interest	2,000	371	(1,629)
Other	-	100	100
	<u>429,950</u>	<u>399,768</u>	<u>(30,182)</u>
Total revenues			
EXPENDITURES			
Public works:			
Surface maintenance	49,720	42,453	7,267
Shoulder maintenance	28,760	20,857	7,903
Trees and shrubs	19,745	12,692	7,053
Drainage	18,935	15,130	3,805
Bridge maintenance	7,535	4,141	3,394
Traffic signs and signals	9,865	2,762	7,103
Winter maintenance	39,770	22,376	17,394
Administration	14,155	13,203	952
State trunk line maintenance	25,655	10,952	14,703
	<u>214,140</u>	<u>144,566</u>	<u>69,574</u>
Total public works			
NET CHANGES IN FUND BALANCES	215,810	255,202	39,392
FUND BALANCES - BEGINNING	<u>621,483</u>	<u>621,483</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 837,293</u>	<u>\$ 876,685</u>	<u>\$ 39,392</u>

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended June 30, 2021

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
State grants	\$ 146,075	\$ 138,927	\$ (7,148)
Charges for services	2,000	-	(2,000)
Interest	1,000	25	(975)
Other	-	374	374
	<u>149,075</u>	<u>139,326</u>	<u>(9,749)</u>
Total revenues			
EXPENDITURES			
Public works:			
Surface maintenance	51,975	29,830	22,145
Shoulder maintenance	27,095	13,799	13,296
Trees and shrubs	26,245	23,709	2,536
Drainage	22,800	5,897	16,903
Traffic signs and signals	7,430	1,267	6,163
Winter maintenance	28,295	19,310	8,985
Administration	12,675	10,677	1,998
	<u>176,515</u>	<u>104,489</u>	<u>72,026</u>
Total public works			
Capital outlay	<u>210,000</u>	<u>182,492</u>	<u>27,508</u>
Total expenditures	<u>386,515</u>	<u>286,981</u>	<u>99,534</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(237,440)</u>	<u>(147,655)</u>	<u>89,785</u>
OTHER FINANCING SOURCES			
Proceeds from on sale of capital asset	118,915	118,918	3
Transfers in	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Total other financing sources	<u>198,915</u>	<u>198,918</u>	<u>3</u>
NET CHANGES IN FUND BALANCES	(38,525)	51,263	89,788
FUND BALANCES - BEGINNING	<u>38,891</u>	<u>38,891</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 366</u>	<u>\$ 90,154</u>	<u>\$ 89,788</u>

BUDGETARY COMPARISON SCHEDULE - Public Safety Fund

Year ended June 30, 2021

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES			
Property taxes	\$ 178,290	\$ 177,315	\$ (975)
Licenses and permits	44,050	43,232	(818)
Federal grants	1,200	180,615	179,415
State grants	182,545	44,613	(137,932)
Intergovernmental	208,580	201,198	(7,382)
Charges for services	5,250	7,562	2,312
Fines and forfeitures	16,800	9,822	(6,978)
Interest and rentals	1,500	231	(1,269)
Other	-	4,437	4,437
	<u>638,215</u>	<u>669,025</u>	<u>30,810</u>
Total revenues			
EXPENDITURES			
Public safety:			
Police	884,435	857,270	27,165
Fire	614,530	575,066	39,464
Code inspections	44,595	41,679	2,916
	<u>1,543,560</u>	<u>1,474,015</u>	<u>69,545</u>
Total public safety			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(905,345)</u>	<u>(804,990)</u>	<u>100,355</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	958,010	866,832	(91,178)
Transfers out	<u>(127,320)</u>	<u>(127,320)</u>	<u>-</u>
Net other financing sources (uses)	<u>830,690</u>	<u>739,512</u>	<u>(91,178)</u>
NET CHANGES IN FUND BALANCES	(74,655)	(65,478)	9,177
FUND BALANCES - BEGINNING	<u>325,215</u>	<u>325,215</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 250,560</u>	<u>\$ 259,737</u>	<u>\$ 9,177</u>

BUDGETARY COMPARISON SCHEDULE - Street and Bridge Fund

Year ended June 30, 2021

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
Intergovernmental	\$ 100,000	\$ 144,210	\$ 44,210
Interest	1,000	86	(914)
Total revenues	101,000	144,296	43,296
EXPENDITURES			
Public works	700	532	168
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	100,300	143,764	43,464
OTHER FINANCING USES			
Transfers out	(80,000)	(80,000)	-
NET CHANGES IN FUND BALANCES	20,300	63,764	43,464
FUND BALANCES - BEGINNING	206,751	206,751	-
FUND BALANCES - ENDING	<u>\$ 227,051</u>	<u>\$ 270,515</u>	<u>\$ 43,464</u>

BUDGETARY COMPARISON SCHEDULE - Solid Waste Fund

Year ended June 30, 2021

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES			
Property taxes	\$ 208,710	\$ 207,596	\$ (1,114)
State grants	53,785	53,786	1
Charges for services	55,500	53,459	(2,041)
Interest	750	64	(686)
Other	<u>3,655</u>	<u>4,189</u>	<u>534</u>
Total revenues	322,400	319,094	(3,306)
EXPENDITURES			
Public works	<u>264,965</u>	<u>234,819</u>	<u>30,146</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>57,435</u>	<u>84,275</u>	<u>26,840</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	15,000	-	(15,000)
Transfers out	<u>(5,445)</u>	<u>(5,445)</u>	<u>-</u>
Total other financing sources (uses)	<u>9,555</u>	<u>(5,445)</u>	<u>(15,000)</u>
NET CHANGES IN FUND BALANCES	66,990	78,830	11,840
FUND BALANCES - BEGINNING	<u>160,572</u>	<u>160,572</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 227,562</u>	<u>\$ 239,402</u>	<u>\$ 11,840</u>

BUDGETARY COMPARISON SCHEDULE - Capital Projects Fund

Year ended June 30, 2021

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES			
Interest	\$ 3,000	\$ 200	\$ (2,800)
EXPENDITURES			
Capital outlay	<u>78,000</u>	<u>22,535</u>	<u>55,465</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(75,000)	(22,335)	52,665
OTHER FINANCING SOURCES			
Transfers in	<u>88,675</u>	<u>88,675</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	13,675	66,340	52,665
FUND BALANCES - BEGINNING	<u>169,414</u>	<u>169,414</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 183,089</u>	<u>\$ 235,754</u>	<u>\$ 52,665</u>

BUDGETARY COMPARISON SCHEDULE - Equipment Replacement Fund

Year ended June 30, 2021

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES			
Interest	\$ -	\$ 137	\$ 137
EXPENDITURES			
Capital outlay	<u>38,400</u>	<u>36,688</u>	<u>1,712</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(38,400)	(36,551)	1,849
OTHER FINANCING SOURCES			
Transfers in	<u>118,710</u>	<u>118,710</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	80,310	82,159	1,849
FUND BALANCES - BEGINNING	<u>120,305</u>	<u>120,305</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 200,615</u>	<u>\$ 202,464</u>	<u>\$ 1,849</u>

BUDGETARY COMPARISON SCHEDULE - Special Assessment Capital Project Fund

Year ended June 30, 2021

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
Interest	\$ 4,335	\$ 1,093	\$ (3,242)
Other - special assessment revenue	<u>5,990</u>	<u>42,854</u>	<u>36,864</u>
Total revenues	10,325	43,947	33,622
OTHER FINANCING SOURCES			
Transfers in	<u>15,930</u>	<u>15,925</u>	<u>(5)</u>
NET CHANGES IN FUND BALANCES	26,255	59,872	33,617
FUND BALANCES - BEGINNING	<u>360,585</u>	<u>360,585</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 386,840</u>	<u>\$ 420,457</u>	<u>\$ 33,617</u>

BUDGETARY COMPARISON SCHEDULE - Sewer Fund

Year ended June 30, 2021

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
OPERATING REVENUES			
Charges for services	\$ 1,048,780	\$ 1,054,526	\$ 5,746
Delinquent penalties	17,000	20,557	3,557
Other	-	680	680
	<u>1,065,780</u>	<u>1,075,763</u>	<u>9,983</u>
Total operating revenues			
OPERATING EXPENSES			
Mains	143,200	120,272	22,928
Wastewater treatment plant	526,565	396,266	130,299
Administration	65,070	62,449	2,621
Depreciation	242,470	239,968	2,502
	<u>977,305</u>	<u>818,955</u>	<u>158,350</u>
Total operating expenses			
OPERATING INCOME (LOSS)	<u>88,475</u>	<u>256,808</u>	<u>168,333</u>
NONOPERATING REVENUES (EXPENSES)			
Insurance recoveries		17,207	17,207
Interest income	5,500	437	(5,063)
Interest expense	(30,500)	(37,781)	(7,281)
	<u>(25,000)</u>	<u>(20,137)</u>	<u>4,863</u>
Total nonoperating revenues (expenses)			
CHANGES IN NET POSITION	63,475	236,671	173,196
NET POSITION - BEGINNING	<u>4,698,726</u>	<u>4,698,726</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 4,762,201</u>	<u>\$ 4,935,397</u>	<u>\$ 173,196</u>

BUDGETARY COMPARISON SCHEDULE - Water Fund

Year ended June 30, 2021

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
OPERATING REVENUES			
Charges for services	\$ 620,890	\$ 659,768	\$ 38,878
Hydrant rentals	7,280	7,280	-
Delinquent penalties	6,800	8,114	1,314
Other	6,500	6,183	(317)
	<u>641,470</u>	<u>681,345</u>	<u>39,875</u>
OPERATING EXPENSES			
Mains	301,565	274,495	27,070
Water pumping	158,395	118,789	39,606
Administration	74,155	69,228	4,927
Depreciation	65,030	65,426	(396)
	<u>599,145</u>	<u>527,938</u>	<u>71,207</u>
	<u>42,325</u>	<u>153,407</u>	<u>111,082</u>
OPERATING INCOME (LOSS)			
NONOPERATING REVENUE			
Insurance recoveries	-	10,545	10,545
Interest income	10,000	918	(9,082)
	<u>10,000</u>	<u>11,463</u>	<u>1,463</u>
Net nonoperating revenues (expenses)	<u>10,000</u>	<u>11,463</u>	<u>1,463</u>
CHANGES IN NET POSITION	52,325	164,870	112,545
NET POSITION - BEGINNING	<u>2,663,199</u>	<u>2,663,199</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 2,715,524</u>	<u>\$ 2,828,069</u>	<u>\$ 112,545</u>

BUDGETARY COMPARISON SCHEDULE - Motor Pool Fund

Year ended June 30, 2021

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
OPERATING REVENUES			
Equipment rental	\$ 205,000	\$ 190,096	\$ (14,904)
Fuel and other charges	<u>20,000</u>	<u>15,336</u>	<u>(4,664)</u>
Total operating revenues	<u>225,000</u>	<u>205,432</u>	<u>(19,568)</u>
OPERATING EXPENSES			
Equipment pool operations	122,840	97,202	25,638
Depreciation	<u>70,500</u>	<u>79,574</u>	<u>(9,074)</u>
Total operating expenses	<u>193,340</u>	<u>176,776</u>	<u>16,564</u>
OPERATING INCOME (LOSS)	<u>31,660</u>	<u>28,656</u>	<u>(3,004)</u>
NONOPERATING REVENUES			
Gain on sale of capital assets	20,000	20,460	460
Interest income	<u>3,000</u>	<u>333</u>	<u>(2,667)</u>
Total nonoperating revenues	<u>23,000</u>	<u>20,793</u>	<u>(2,207)</u>
CHANGES IN NET POSITION	54,660	49,449	(5,211)
NET POSITION - BEGINNING	<u>790,957</u>	<u>790,957</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 845,617</u>	<u>\$ 840,406</u>	<u>\$ (5,211)</u>

BALANCE SHEET - Downtown Development Authority

June 30, 2021

ASSETS

Cash	\$ 95,893
Investments	287,006
Receivables	630
Prepays	<u>1,430</u>
Total assets	<u>\$ 384,959</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 56,804
Accrued payroll liabilities	<u>2,436</u>
Total liabilities	<u>59,240</u>

Fund balance:

Nonspendable - prepaids	1,430
Unassigned	<u>324,289</u>
Total fund balance	<u>325,719</u>

Total liabilities and fund balance	<u>\$ 384,959</u>
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Total fund balance	\$ 325,719
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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.	1,550,631
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Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund.	<u>(1,256)</u>
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Net position of the <i>component unit</i>	<u>\$ 1,875,094</u>
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BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority

Year ended June 30, 2021

	<u>Final budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES			
State grant - local community stabilization	\$ 257,000	\$ 257,566	\$ 566
Interest	1,250	266	(984)
Other	<u>70,000</u>	<u>6,011</u>	<u>(63,989)</u>
Total revenues	<u>328,250</u>	<u>263,843</u>	<u>(64,407)</u>
EXPENDITURES			
Economic development	285,665	166,484	119,181
Capital outlay	<u>267,454</u>	<u>237,808</u>	<u>29,646</u>
Total expenditures	<u>553,119</u>	<u>404,292</u>	<u>148,827</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(224,869)	(140,449)	84,420
OTHER FINANCING SOURCES			
Proceeds from sale of capital asset	<u>-</u>	<u>150,000</u>	<u>150,000</u>
NET CHANGES IN FUND BALANCES	(224,869)	9,551	234,420
FUND BALANCES - BEGINNING	<u>316,168</u>	<u>316,168</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 91,299</u>	<u>\$ 325,719</u>	<u>\$ 234,420</u>
Net change in fund balance			\$ 9,551
Amounts reported for <i>component unit</i> 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:			
Add asset acquisitions			237,808
Deduct depreciation expense			(59,913)
Deduct loss on sale of capital asset			(800,547)
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:			
Decrease in accrued compensated absences			<u>402</u>
Change in net position of <i>component unit</i>			<u>\$ (612,699)</u>