

City of Otsego
Allegan County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2022

SiegfriedCrandallPC

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INDEPENDENT AUDITOR'S REPORT

City Commission
City of Otsego, Michigan

Opinions

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

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, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required supplementary information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Sigfried Crandall P.C.

October 8, 2022

City of Otsego

BALANCE SHEET - Downtown Development Authority

June 30, 2022

ASSETS

Cash	\$ 42,167
Investments	234,577
Prepays	<u>1,878</u>
Total assets	<u>\$ 278,622</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 2,554
Accrued payroll liabilities	1,399
Due to primary government	<u>35</u>

Total liabilities	<u>3,988</u>
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Fund balance:

Nonspendable - prepaids	1,878
Restricted - community promotion	2,861
Unassigned	<u>269,895</u>

Total fund balance	<u>274,634</u>
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Total liabilities and fund balance	<u>\$ 278,622</u>
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Total fund balance	\$ 274,634
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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.	1,642,176
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Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund.	<u>(1,572)</u>
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Net position of the <i>component unit</i>	<u>\$ 1,915,238</u>
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City of Otsego

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority

Year ended June 30, 2022

	<i>Final budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
REVENUES			
State grant - local community stabilization	\$ 276,700	\$ 276,587	\$ (113)
Interest and rentals	500	615	115
Other	84,180	64,449	(19,731)
Total revenues	<u>361,380</u>	<u>341,651</u>	<u>(19,729)</u>
EXPENDITURES			
Economic development	302,265	227,041	75,224
Capital outlay	165,000	165,744	(744)
Total expenditures	<u>467,265</u>	<u>392,785</u>	<u>74,480</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(105,885)	(51,134)	54,751
OTHER FINANCING SOURCES			
Insurance recoveries	-	49	49
NET CHANGES IN FUND BALANCES	(105,885)	(51,085)	54,800
FUND BALANCES - BEGINNING	<u>325,719</u>	<u>325,719</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 219,834</u>	<u>\$ 274,634</u>	<u>\$ 54,800</u>
Net change in fund balance			\$ (51,085)
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			165,744
Deduct depreciation expense			(74,199)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the fund:			
Increase in compensated absences			<u>(316)</u>
Change in net position of <i>component unit</i>			<u>\$ 40,144</u>