

*City of Otsego*  
*Allegan County, Michigan*

**FINANCIAL STATEMENTS**

*Year ended June 30, 2022*

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	<i>Page</i>
<b>INDEPENDENT AUDITOR'S REPORT</b>	3 - 5
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	6 - 14
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements:	
Statement of net position	15
Statement of activities	16
Fund financial statements:	
Balance sheet - governmental funds	17
Statement of revenues, expenditures, and changes in fund balances - governmental funds	18 - 19
Statement of net position - proprietary funds	20
Statement of revenues, expenses, and changes in net position - proprietary funds	21
Statement of cash flows - proprietary funds	22 - 23
Statement of fiduciary net position - custodial fund	24
Statement of changes in fiduciary net position - custodial fund	25
Notes to financial statements	26 - 39
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedules:	
General Fund	40
Major Street Fund	41
Local Street Fund	42
Public Safety Fund	43
<b>SUPPLEMENTARY INFORMATION</b>	
Combining balance sheet - nonmajor governmental funds	44
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	45
Balance sheet - governmental funds	46
Budgetary comparison schedules:	
General Fund	47 - 48
Major Street Fund	49
Local Street Fund	50
Public Safety Fund	51
Street and Bridge Fund	52
Solid Waste Fund	53
Capital Projects Fund	54
Equipment Replacement Fund	55
Special Assessment Capital Project Fund	56
Sewer Fund	57
Water Fund	58
Motor Pool Fund	59
Downtown Development Authority:	
Balance sheet	60
Budgetary comparison schedule	61

## 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.

*Siegfried Crandall P.C.*

October 8, 2022

## **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, 2022. Please read it in conjunction with the City's financial statements.

### Financial Highlights

- The City's total net position increased by \$808,112, or 4.7 percent, as a result of this year's operations. The net position of the governmental activities increased by \$400,392 and the net position of the business-type activities increased by \$407,720.
- Of the \$17,906,512 total net position reported, \$5,577,288 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 \$659,102, which represents 32 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 (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 fund's 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 fund's 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 \$17,906,512. However, the majority of the City's net position, in the amount of \$10,490,770 (59 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 \$1,838,454 of the City's net position is restricted for public safety (\$584) and public works (\$1,837,870). The City may use the remaining balance of unrestricted net position of \$5,577,288 to meet its ongoing obligations to citizens and creditors. The unrestricted net position for the governmental activities increased by 11 percent for the fiscal year, and the unrestricted net position for the business-type activities increased by 17 percent.

The unrestricted net position for governmental activities increased by \$243,514, primarily due to ongoing efforts to set aside funds to replace capital assets. The current level of unrestricted net position for governmental activities represents 77 percent of the fiscal year's expenses.

The unrestricted net position of the business-type activities increased by \$445,746 during the year, primarily due to lower than anticipated expenditures. The ending unrestricted balance of \$3,115,643 represents 237 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 4,461,064	\$ 3,909,323	\$ 3,576,286	\$ 2,724,974	\$ 8,037,350	\$ 6,634,297
Capital assets	<u>5,435,227</u>	<u>5,638,854</u>	<u>6,165,542</u>	<u>6,258,568</u>	<u>11,600,769</u>	<u>11,897,422</u>
Total assets	<u>9,896,291</u>	<u>9,548,177</u>	<u>9,741,828</u>	<u>8,983,542</u>	<u>19,638,119</u>	<u>18,531,719</u>
Current and other liabilities	160,965	213,243	460,643	55,077	621,608	268,320
Long-term debt	<u>-</u>	<u>-</u>	<u>1,109,999</u>	<u>1,164,999</u>	<u>1,109,999</u>	<u>1,164,999</u>
Total liabilities	<u>160,965</u>	<u>213,243</u>	<u>1,570,642</u>	<u>1,220,076</u>	<u>1,731,607</u>	<u>1,433,319</u>
Net position:						
Net investment in capital assets	5,435,227	5,638,854	5,055,543	5,093,569	10,490,770	10,732,423
Restricted	1,838,454	1,477,949	-	-	1,838,454	1,477,949
Unrestricted	<u>2,461,645</u>	<u>2,218,131</u>	<u>3,115,643</u>	<u>2,669,897</u>	<u>5,577,288</u>	<u>4,888,028</u>
Total net position	<u>\$ 9,735,326</u>	<u>\$ 9,334,934</u>	<u>\$ 8,171,186</u>	<u>\$ 7,763,466</u>	<u>\$17,906,512</u>	<u>\$17,098,400</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 lower than the prior year, as revenues decreased by \$257,544, while expenses only decreased by \$169,632.

Governmental activities increased the City's net position by \$400,392 primarily due to operating within budgeted revenues and, as previously mentioned, setting aside funds for capital asset replacement.

Business-type activities increased the City's net position by \$407,720 primarily due to lower than anticipated expenditures. The City continues to maintain its infrastructure, however, it has been challenging to obtain parts and contractors for preventative maintenance and some ongoing projects.

**Schedule 2**  
**Statement of Activities - Two Year Comparison**

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Program revenues:						
Charges for services	\$ 361,226	\$ 381,931	\$ 1,663,412	\$ 1,757,108	\$ 2,024,638	\$ 2,139,039
Operating grants	743,883	744,943	-	-	743,883	744,943
Capital grants	-	178,069	-	-	-	178,069
General revenues:						
Property taxes	1,568,495	1,472,516	-	-	1,568,495	1,472,516
Community stabilization	321,314	321,205	-	-	321,314	321,205
State shared revenue	509,795	458,156	-	-	509,795	458,156
Franchise fees	49,242	49,732	-	-	49,242	49,732
Investment earnings	6,255	2,916	3,605	1,355	9,860	4,271
Insurance recoveries	32,805	41,175	55,810	27,752	88,615	68,927
Gain (loss) on sale of assets	2,850	139,378	-	-	2,850	139,378
Total revenues	<u>3,595,865</u>	<u>3,790,021</u>	<u>1,722,827</u>	<u>1,786,215</u>	<u>5,318,692</u>	<u>5,576,236</u>
Expenses:						
General government	618,074	651,385	-	-	618,074	651,385
Public safety	1,332,000	1,401,904	-	-	1,332,000	1,401,904
Public works	1,061,472	1,061,522	-	-	1,061,472	1,061,522
Health and welfare	9,170	4,478	-	-	9,170	4,478
Community and economic development	31,571	30,355	-	-	31,571	30,355
Recreation and culture	143,186	145,894	-	-	143,186	145,894
Sewer	-	-	876,933	856,736	876,933	856,736
Water	-	-	438,174	527,938	438,174	527,938
Total expenses	<u>3,195,473</u>	<u>3,295,538</u>	<u>1,315,107</u>	<u>1,384,674</u>	<u>4,510,580</u>	<u>4,680,212</u>
Changes in net position	<u>\$ 400,392</u>	<u>\$ 494,483</u>	<u>\$ 407,720</u>	<u>\$ 401,541</u>	<u>\$ 808,112</u>	<u>\$ 896,024</u>
Net position, end of year	<u>\$ 9,735,326</u>	<u>\$ 9,334,934</u>	<u>\$ 8,171,186</u>	<u>\$ 7,763,466</u>	<u>\$17,906,512</u>	<u>\$17,098,400</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 decreased by \$42,247 to \$676,914. The ending fund balance represents 33 percent of current year expenditures and transfers out.

The City amended its expenditure budget, increasing appropriations by \$89,350, in order to provide funding for remaining hail damage repairs (\$48,500) and attorney fees (\$38,000). Total expenditures were \$108,556 less than the final amounts appropriated. The most significant expenditure variance occurred in the public works function where expenditures were \$38,074 less than appropriated. No single item accounts for the variance.

The General Fund subsidized the Public Safety Fund through a transfer out of \$966,205 which represents 47 percent of total General Fund expenditures and transfers out.

### *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 and transfers out by \$142,635. Fund balance at the end of the fiscal year grew to \$1,019,320. 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 \$194,650, were more than expenditures of \$233,093. Fund balance increased by \$111,544 to \$201,698 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 \$1,269,646 while transfers out to capital project funds were \$123,495, bringing the total of expenditures plus other uses to \$1,393,141. Tax revenue generated \$186,747, or 13 percent of total uses of funds. The \$966,205 transfer in, from the General Fund, provided 69 percent of the total uses of funds. The fund ended the year with a fund balance of \$308,027 which represents 22 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 (\$104,650), which caused fund balance to increase by \$39,274. The restricted fund balance amounts to \$309,789.

### *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 \$8,925, were \$285,372; however, revenues amounted to \$351,692, which resulted in an increase in fund balance of \$67,661.

#### *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 \$87,125, based on projected depreciation of applicable capital assets. The transfer in, plus interest of \$273, resulted in an ending fund balance of \$323,152.

#### *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 \$120,180 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 \$442, less capital outlay expenditures of \$59,285 resulted in an ending fund balance of \$263,801.

#### *Special Assessment Capital Project Fund*

The fund generated revenues of \$7,356 and incurred no expenditures which caused fund balance to increase by \$7,356. Fund balance available for future capital improvement projects totals \$427,813.

#### *Sewer Fund*

A usage increase of 6.6 percent, plus an overall rate increase of 3.6 percent, resulted in a decrease in charges for services of \$11,164 from the prior year. Operating expenses increased by \$29,197, primarily due to a transformer failure and the preparation of a new operation manual for the plant. Operating income amounted to \$215,823, and together with net nonoperating revenues of \$26,873, increased net position by \$242,696 for the fiscal year. Total net position was \$5,178,093 at year end, of which \$1,637,180 was unrestricted. Unrestricted net position represents 193 percent of operating expenses and is accumulated to offset future capital improvement or maintenance projects. The balance of long-term debt amounts to \$1,109,999 at year-end. User fees have been increased significantly to provide debt repayment funding while still supporting operating costs.

#### *Water Fund*

An unanticipated usage decrease of 13.76 percent, plus an overall rate decrease of 5.7 percent, resulted in a decrease in charges for services of \$76,539 from the prior year. Operating expenses decreased by \$89,764 primarily due to postponing maintenance due to contractor unavailability. Operating income amounted to \$161,263 and, together with nonoperating revenues of \$3,761, increased net position by \$165,024 for the fiscal year. Total net position was \$2,993,093 at year end, of which \$1,478,463 was unrestricted. Unrestricted net position represents 337 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 \$50,912 in the current year, as interfund charges exceeded operating expenses by \$48,068 and the fund recognized nonoperating revenues of \$2,844. Net position is comprised of an investment in capital assets of \$416,923, and unrestricted net position of \$474,395, totaling \$891,318 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, 2022, amounts to \$11,600,769 (net of accumulated depreciation). This investment includes a broad range of assets. Overall, there was a \$296,653 net decrease in the City's net investment in capital assets in the current fiscal year, comprised of \$490,383 in additions, \$785,861 in current depreciation, and \$1,175 in dispositions.

Capital acquisitions during the year included:

- \$165,581 in street improvement projects
- \$124,459 for parking lot improvements
- \$59,285 for a police car with improvements
- \$41,285 for construction of a pavilion
- \$119,226 of wastewater system improvements
- \$95,593 of water system improvements
- \$50,699 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 \$1,109,999, 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 \$13,547,140 based upon 2022 property value assessments.

Other long-term debt obligations, totaling \$43,397, represent accrued compensated absences. Additional information is presented in Note 6 of the notes to the basic financial statements.

### **Economic factors and the 2022-23 budget and rates**

There was an air of optimism as the 2022-23 annual appropriations bill was compiled. Some normalcy seemed to be returning to the workplace and the worst effects of the Covid-19 Pandemic appeared to have passed. While formulating the new budget, we considered the emerging side effects of the pandemic on our economy. The three most striking changes noted are increases in inflation, restricted supply chains and a shrinking talent pool. These effects will continue to challenge the City, as well as many other businesses for the foreseeable future. High inflation rates are increasing normal operating costs and capital improvement projects. Supply chain issues are dramatically affecting equipment maintenance and repairs, as well as capital improvement projects. Additionally, with low unemployment and the large number of individuals who have decided to retire or otherwise leave the labor market, we've noted difficulties in obtaining staff, especially in public safety. During the budgeting process, world events also took a turn with the invasion of Ukraine. Although half a world away, this conflict will also likely have lasting effects on energy costs, at a minimum. All of this points to living and operating in unsettled times. Therefore, the City will need to carefully consider all operating decisions and capital improvements, while maintaining sufficient fund balances to maintain operations should revenue streams change or be interrupted.

The City of Otsego received approximately \$420,000 in Coronavirus State and Local Fiscal Relief Funds (CSLFRF) provided by the American Rescue Plan Act of 2022 (ARPA). The grant may be used by the end of 2026 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 had relatively little direct financial impact from the pandemic, the City is using these monies for water and sewer infrastructure improvements in 2022-2023. Additionally, Allegan County has offered to match these funds for additional water and sewer improvements. These monies will help update portions of the water and sewer infrastructure over the next two fiscal years that were either missing, or now undersized and in need of replacement.

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 5.8, 5.2 and 8.6 percent, respectively, while the Consumer Price Index used by the State was only 3.3 percent. This resulted in a millage rollback of nearly two percent. Even with the rollback, however, General Fund property tax revenue projection increased by 4 percent. The budget for State Shared Revenues also increased (based on State projections) by six percent. The City's General Fund projected revenues budgeted an overall increase of 3.9 percent over the previous year.

Total General Fund appropriations decreased 6.5 percent, resulting in a projected increase in fund balance of \$24,570. This is the first budgeted increase to General Fund fund balance since fiscal year 2017-2018. The General Fund was able to do this by reducing the subsidy to the Public Safety Fund. Although relatively new, the Public Safety Fund has been able to build a fund balance of 22 percent of its total expenditures. During these uncertain times, maintaining a fund balance of 25 to 30 percent of operating costs is prudent to assure the City will have monies available to maintain services.

The Major and Local Street Funds both budgeted increases just over four 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 continues to be in a strong financial position with a fund balance in excess of one year of operations. Because of the LCSA correction in a prior year that resulted in an increase to fund balance, the millage was decreased by 65 percent this year. Intentions are to keep the millage lower and use fund balance to cover 15 to 20 percent of operations until it is reduced to 25 percent.

During this challenging economy, capital investment in the community continues. Allegan County hired a contractor to raze and has now nearly cleared the old Rock-Tenn Paper Mill site. The county continues to work with a developer and the City to construct a mixed-use development on the site. A housing study is currently underway to identify the greatest needs for the community.

The City decided to end the Main Street Program and ultimately, the Downtown Development Authority (DDA) over the next year. Nearly all the planned capital improvement projects have been completed. The Tax Increment Financing (TIF) funding mechanism for the DDA is no longer viable due to changes in the personal property tax laws. This has required the DDA to request reimbursement from the State for the personal property tax loss, which ultimately diminishes the LCSA funding to the General Fund.

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](mailto:mstorbeck@cityofotsego.org)

## **BASIC FINANCIAL STATEMENTS**

## STATEMENT OF NET POSITION

June 30, 2022

	Primary government			Component unit
	Governmental activities	Business-type activities	Totals	Downtown Development Authority
<b>ASSETS</b>				
Current assets:				
Cash	\$ 2,023,134	\$ 1,682,815	\$ 3,705,949	\$ 42,167
Investments	2,033,393	1,365,317	3,398,710	234,577
Receivables	310,670	481,509	792,179	-
Due from component unit	35	-	35	-
Prepaid expenses	23,977	11,362	35,339	1,878
Inventories	56,149	32,370	88,519	-
Internal balances	(2,913)	2,913	-	-
Total current assets	4,444,445	3,576,286	8,020,731	278,622
Noncurrent assets:				
Receivables	16,619	-	16,619	-
Capital assets not being depreciated	1,003,176	146,841	1,150,017	98,069
Capital assets, net of accumulated depreciation	4,432,051	6,018,701	10,450,752	1,544,107
Total noncurrent assets	5,451,846	6,165,542	11,617,388	1,642,176
Total assets	9,896,291	9,741,828	19,638,119	1,920,798
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	80,378	19,472	99,850	2,554
Accrued payroll liabilities	46,254	5,446	51,700	1,399
Accrued interest payable	-	6,937	6,937	-
Due to primary government	-	-	-	35
Unearned federal grant revenue	-	419,724	419,724	-
Bonds payable - due within one year	-	55,000	55,000	-
Total current liabilities	126,632	506,579	633,211	3,988
Noncurrent liabilities:				
Compensated absences	34,333	9,064	43,397	1,572
Bonds payable - due in more than one year	-	1,054,999	1,054,999	-
Total noncurrent liabilities	34,333	1,064,063	1,098,396	1,572
Total liabilities	160,965	1,570,642	1,731,607	5,560
<b>NET POSITION</b>				
Net investment in capital assets	5,435,227	5,055,543	10,490,770	1,642,176
Restricted for:				
Public safety	584	-	584	-
Public works	1,837,870	-	1,837,870	-
Community promotion	-	-	-	2,861
Unrestricted	2,461,645	3,115,643	5,577,288	270,201
Total net position	\$ 9,735,326	\$ 8,171,186	\$ 17,906,512	\$ 1,915,238

See notes to financial statements

## STATEMENT OF ACTIVITIES

Year ended June 30, 2022

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
<b>Primary government</b>							
Governmental activities:							
General government	\$ 618,074	\$ 76,699	\$ -	\$ -	\$ (541,375)	\$ (541,375)	
Public safety	1,332,000	239,326	4,414	-	(1,088,260)	(1,088,260)	
Public works	1,061,472	42,166	739,469	-	(279,837)	(279,837)	
Health and welfare	9,170	-	-	-	(9,170)	(9,170)	
Community and economic development	31,571	1,085	-	-	(30,486)	(30,486)	
Recreation and culture	143,186	1,950	-	-	(141,236)	(141,236)	
Total governmental activities	<u>3,195,473</u>	<u>361,226</u>	<u>743,883</u>	<u>-</u>	<u>(2,090,364)</u>	<u>(2,090,364)</u>	
Business-type activities:							
Sewer	876,933	1,063,975	-	-	\$ 187,042	\$ 187,042	
Water	438,174	599,437	-	-	161,263	161,263	
Total business-type activities	<u>1,315,107</u>	<u>1,663,412</u>	<u>-</u>	<u>-</u>	<u>348,305</u>	<u>348,305</u>	
Total primary government	<u>\$ 4,510,580</u>	<u>\$ 2,024,638</u>	<u>\$ 743,883</u>	<u>\$ -</u>	<u>(2,090,364)</u>	<u>348,305</u>	<u>(1,742,059)</u>
<b>Component unit - Downtown Development Authority</b>	<u>\$ 301,556</u>	<u>\$ 64,449</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ (237,107)</u>
General revenues:							
Property taxes				1,568,495	-	1,568,495	-
State shared revenue				509,795	-	509,795	-
Local community stabilization revenue				321,314	-	321,314	276,587
Franchise fees				49,242	-	49,242	-
Interest income				6,255	3,605	9,860	615
Insurance recoveries				32,805	55,810	88,615	49
Gain on sales of capital assets				2,850	-	2,850	-
Total general revenues, transfers and gain on sales of capital assets				<u>2,490,756</u>	<u>59,415</u>	<u>2,550,171</u>	<u>277,251</u>
Changes in net position				400,392	407,720	808,112	40,144
Net position - beginning				<u>9,334,934</u>	<u>7,763,466</u>	<u>17,098,400</u>	<u>1,875,094</u>
Net position - ending				<u>\$ 9,735,326</u>	<u>\$ 8,171,186</u>	<u>\$ 17,906,512</u>	<u>\$ 1,915,238</u>

See notes to financial statements

**BALANCE SHEET - governmental funds**

June 30, 2022

	<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>	
<b>ASSETS</b>						
Cash	\$ 487,503	\$ 422,978	\$ 174,645	\$ 66,021	\$ 556,022	\$ 1,707,169
Investments	119,965	531,135	8,443	161,516	1,062,877	1,883,936
Receivables	107,783	65,007	21,739	111,099	21,661	327,289
Due from other funds	295	-	-	-	16,907	17,202
Due from component unit	35	-	-	-	-	35
Prepays	17,812	1,068	1,077	25,930	1,498	47,385
Total assets	<u>\$ 733,393</u>	<u>\$ 1,020,188</u>	<u>\$ 205,904</u>	<u>\$ 364,566</u>	<u>\$ 1,658,965</u>	<u>\$ 3,983,016</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Payables	\$ 30,188	\$ 175	\$ 165	\$ 19,712	\$ 4,927	\$ 55,167
Accrued payroll liabilities	9,896	693	804	33,861	759	46,013
Due to other funds	-	-	3,237	2,936	-	6,173
Due to other governmental units	16,395	-	-	30	-	16,425
Total liabilities	<u>56,479</u>	<u>868</u>	<u>4,206</u>	<u>56,539</u>	<u>5,686</u>	<u>123,778</u>
Deferred inflows of resources - unavailable special assessment revenue	-	-	-	-	21,661	21,661
Fund balances:						
Nonspendable - prepaids	17,812	1,068	1,077	25,930	1,498	47,385
Restricted for:						
Public safety	-	-	-	584	-	584
Public works	-	1,018,252	200,621	-	615,354	1,834,227
Committed for:						
Public safety	-	-	-	281,513	-	281,513
Public works	-	-	-	-	427,813	427,813
Capital outlay	-	-	-	-	586,953	586,953
Unassigned	659,102	-	-	-	-	659,102
Total fund balances	<u>676,914</u>	<u>1,019,320</u>	<u>201,698</u>	<u>308,027</u>	<u>1,631,618</u>	<u>3,837,577</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 733,393</u>	<u>\$ 1,020,188</u>	<u>\$ 205,904</u>	<u>\$ 364,566</u>	<u>\$ 1,658,965</u>	<u>\$ 3,983,016</u>
Reconciliation of the balance sheet to the statement of net position:						
Total fund balance - total governmental funds						\$ 3,837,577
Amounts reported for <i>governmental activities</i> in the statement of net position (page 14) are different because:						
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.						5,018,304
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows in the funds.						21,661
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.						(33,534)
The assets and liabilities of the internal service fund are included in <i>governmental activities</i> in the statement of net position.						<u>891,318</u>
Net position of <i>governmental activities</i>						<u>\$ 9,735,326</u>

See notes to financial statements

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

Year ended June 30, 2022

	<u>General</u>	<u>Special revenue</u>			<u>Nonmajor funds</u>	<u>Total governmental funds</u>
		<u>Major Street</u>	<u>Local Street</u>	<u>Public Safety</u>		
<b>REVENUES</b>						
Property taxes	\$ 1,193,255	\$ -	\$ -	\$ 186,747	\$ 237,273	\$ 1,617,275
Licenses and permits	53,359	-	-	-	-	53,359
State grants	727,195	433,493	149,326	48,041	60,287	1,418,342
Intergovernmental	-	-	-	177,206	143,560	320,766
Charges for services	23,521	-	203	50,151	52,748	126,623
Fines and forfeitures	-	-	-	4,288	-	4,288
Interest and rentals	1,028	1,408	29	547	3,332	6,344
Other	3,316	515	429	7,680	6,487	18,427
Total revenues	<u>2,001,674</u>	<u>435,416</u>	<u>149,987</u>	<u>474,660</u>	<u>503,687</u>	<u>3,565,424</u>
<b>EXPENDITURES</b>						
Current:						
General government	586,893	-	-	-	-	586,893
Public safety	-	-	-	1,269,646	-	1,269,646
Public works	266,101	135,690	134,603	-	276,447	812,841
Health and welfare	9,170	-	-	-	-	9,170
Community and economic development	31,571	-	-	-	-	31,571
Recreation and culture	140,519	-	-	-	-	140,519
Capital outlay	-	67,091	98,490	-	59,285	224,866
Total expenditures	<u>1,034,254</u>	<u>202,781</u>	<u>233,093</u>	<u>1,269,646</u>	<u>335,732</u>	<u>3,075,506</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>967,420</u>	<u>232,635</u>	<u>(83,106)</u>	<u>(794,986)</u>	<u>167,955</u>	<u>489,918</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of capital assets	-	-	-	525	-	525
Insurance recoveries	31,423	-	-	41	1,341	32,805
Transfers in	-	-	194,650	966,205	207,305	1,368,160
Transfers out	(1,041,090)	(90,000)	-	(123,495)	(113,575)	(1,368,160)
Net other financing sources (uses)	<u>(1,009,667)</u>	<u>(90,000)</u>	<u>194,650</u>	<u>843,276</u>	<u>95,071</u>	<u>33,330</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(42,247)</u>	<u>142,635</u>	<u>111,544</u>	<u>48,290</u>	<u>263,026</u>	<u>523,248</u>
<b>FUND BALANCES - BEGINNING</b>	<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>
<b>FUND BALANCES - ENDING</b>	<u>\$ 676,914</u>	<u>\$ 1,019,320</u>	<u>\$ 201,698</u>	<u>\$ 308,027</u>	<u>\$ 1,631,618</u>	<u>\$ 3,837,577</u>

See notes to financial statements

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

Year ended June 30, 2022

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)	\$ 523,248
Amounts reported for <i>governmental activities</i> in the statement of activities (page 15) are different because:	
Capital assets:	
Asset acquisitions	224,865
Provision for depreciation	(395,241)
Deferred inflows of resources - net decrease in unavailable special assessments	(5,733)
Changes in other assets/liabilities - net decrease in compensated absences	2,341
The net revenues of the internal service fund are reported with governmental activities.	<u>50,912</u>
Change in net position of <i>governmental activities</i>	<u><u>\$ 400,392</u></u>

**STATEMENT OF NET POSITION - proprietary funds**

June 30, 2022

	<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>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,236,520	\$ 446,295	\$ 1,682,815	\$ 315,965
Investments	496,207	869,110	1,365,317	149,457
Receivables	346,601	134,908	481,509	-
Due from other funds	-	3,237	3,237	2,965
Inventories	2,896	29,474	32,370	23,977
Prepays	8,111	3,251	11,362	8,764
Total current assets	<u>2,090,335</u>	<u>1,486,275</u>	<u>3,576,610</u>	<u>501,128</u>
Noncurrent assets:				
Land	23,052	-	23,052	-
Construction in progress	28,196	95,593	123,789	-
Capital assets, net of accumulated depreciation:				
Sewer system	4,599,664	-	4,599,664	-
Water system	-	1,419,037	1,419,037	-
Buildings and equipment	-	-	-	416,923
Total noncurrent assets	<u>4,650,912</u>	<u>1,514,630</u>	<u>6,165,542</u>	<u>416,923</u>
Total assets	<u>6,741,247</u>	<u>3,000,905</u>	<u>9,742,152</u>	<u>918,051</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	16,515	2,957	19,472	8,786
Accrued payroll liabilities	3,773	1,673	5,446	241
Accrued interest payable	6,937	-	6,937	-
Due to other funds	227	97	324	16,907
Unearned federal grant revenue	419,724	-	419,724	-
Bonds payable - due within one year	55,000	-	55,000	-
Total current liabilities	<u>502,176</u>	<u>4,727</u>	<u>506,903</u>	<u>25,934</u>
Noncurrent liabilities:				
Compensated absences	5,979	3,085	9,064	799
Bonds payable - due in more than one year	1,054,999	-	1,054,999	-
Total noncurrent liabilities	<u>1,060,978</u>	<u>3,085</u>	<u>1,064,063</u>	<u>799</u>
Total liabilities	<u>1,563,154</u>	<u>7,812</u>	<u>1,570,966</u>	<u>26,733</u>
<b>NET POSITION</b>				
Net investment in capital assets	3,540,913	1,514,630	5,055,543	416,923
Unrestricted	1,637,180	1,478,463	3,115,643	474,395
Total net position	<u>\$ 5,178,093</u>	<u>\$ 2,993,093</u>	<u>\$ 8,171,186</u>	<u>\$ 891,318</u>

See notes to financial statements

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

Year ended June 30, 2022

	<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>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,043,362	\$ 583,229	\$ 1,626,591	\$ 232,287
Other	20,613	16,208	36,821	31,445
Total operating revenues	<u>1,063,975</u>	<u>599,437</u>	<u>1,663,412</u>	<u>263,732</u>
<b>OPERATING EXPENSES</b>				
Mains	126,407	167,968	294,375	-
Wastewater treatment plant	415,978	-	415,978	-
Water pumping	-	148,559	148,559	-
Administration	61,504	58,065	119,569	-
Equipment pool operations	-	-	-	132,889
Depreciation	244,263	63,582	307,845	82,775
Total operating expenses	<u>848,152</u>	<u>438,174</u>	<u>1,286,326</u>	<u>215,664</u>
<b>OPERATING INCOME</b>	<u>215,823</u>	<u>161,263</u>	<u>377,086</u>	<u>48,068</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Insurance recoveries	54,217	1,593	55,810	-
Gain (loss) on disposal of capital assets	-	-	-	2,325
Interest income	1,437	2,168	3,605	519
Interest expense	(28,781)	-	(28,781)	-
Total nonoperating revenues (expenses)	<u>26,873</u>	<u>3,761</u>	<u>30,634</u>	<u>2,844</u>
<b>CHANGES IN NET POSITION</b>	242,696	165,024	407,720	50,912
<b>NET POSITION - BEGINNING</b>	<u>4,935,397</u>	<u>2,828,069</u>	<u>7,763,466</u>	<u>840,406</u>
<b>NET POSITION - ENDING</b>	<u>\$ 5,178,093</u>	<u>\$ 2,993,093</u>	<u>\$ 8,171,186</u>	<u>\$ 891,318</u>

See notes to financial statements

**STATEMENT OF CASH FLOWS - proprietary funds**

Year ended June 30, 2022

	<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>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 1,027,977	\$ 615,224	\$ 1,643,201	\$ 32,000
Receipts from interfund services provided	-	-	-	232,287
Payments to suppliers	(363,411)	(220,198)	(583,609)	(105,684)
Payments to employees	(221,173)	(139,839)	(361,012)	(32,960)
Payments for interfund services	(13,443)	(31,399)	(44,842)	-
Net cash provided by (used in) operating activities	<u>429,950</u>	<u>223,788</u>	<u>653,738</u>	<u>125,643</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
(Increase) decrease in due from other funds	-	(3,237)	(3,237)	(1,330)
Increase (decrease) in due to other funds	<u>31</u>	<u>14</u>	<u>45</u>	<u>16,907</u>
Net cash provided by (used in) noncapital financing activities	<u>31</u>	<u>(3,223)</u>	<u>(3,192)</u>	<u>15,577</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital grants	419,724	-	419,724	-
Insurance recoveries	54,217	1,593	55,810	-
Proceeds from sales of capital assets	-	-	-	3,500
Acquisition of capital assets	(119,226)	(95,593)	(214,819)	(50,699)
Principal payment on capital debt	(55,000)	-	(55,000)	-
Interest payments on capital debt	(29,125)	-	(29,125)	-
Net cash provided by (used in) capital and related financing activities	<u>270,590</u>	<u>(94,000)</u>	<u>176,590</u>	<u>(47,199)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	135	61	196	166
Sale of investments	84,125	-	84,125	-
Purchase of investments	(293,990)	-	(293,990)	-
Net cash provided by (used in) investing activities	<u>(209,730)</u>	<u>61</u>	<u>(209,669)</u>	<u>166</u>
<b>NET CHANGE IN CASH</b>	<b>490,841</b>	<b>126,626</b>	<b>617,467</b>	<b>94,187</b>
<b>CASH - BEGINNING</b>	<u>745,679</u>	<u>319,669</u>	<u>1,065,348</u>	<u>221,778</u>
<b>CASH - ENDING</b>	<u>\$ 1,236,520</u>	<u>\$ 446,295</u>	<u>\$ 1,682,815</u>	<u>\$ 315,965</u>

See notes to financial statements

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

Year ended June 30, 2022

	<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</u> <u>service</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 215,823	\$ 161,263	\$ 377,086	\$ 48,068
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	244,263	63,582	307,845	82,775
(Increase) decrease in:				
Receivables	(35,998)	15,787	(20,211)	555
Inventories	(1,212)	2,581	1,369	(7,767)
Prepaid expenses	795	668	1,463	(1,018)
Increase (decrease) in:				
Accounts payable	10,303	(17,504)	(7,201)	3,491
Accrued payroll liabilities	(3,287)	(2,303)	(5,590)	(574)
Compensated absences	(737)	(286)	(1,023)	113
Net cash provided by (used in) operating activities	<u>\$ 429,950</u>	<u>\$ 223,788</u>	<u>\$ 653,738</u>	<u>\$ 125,643</u>

See notes to financial statements

**STATEMENT OF FIDUCIARY NET POSTION - Custodial Fund**

June 30, 2022

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - Custodial Fund**

Year ended June 30, 2022

	<u>Tax Collection</u>
<b>ADDITIONS</b>	
Property taxes collections for other governments	\$ 3,291,278
<b>DEDUCTIONS</b>	
Payments of property taxes to other governments	<u>3,291,278</u>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	-
<b>NET POSITION - BEGINNING</b>	<u>-</u>
<b>NET POSTION - ENDING</b>	<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 property 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 in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services. Operating expenses for proprietary funds include the cost of 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* - 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 the 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

*Unearned revenue* - Unearned revenue represents resources related to a federal grant which have not yet been earned.

*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, 2022, 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	\$ 2,023,134	\$ 1,682,815	\$ 3,705,949	\$ 42,167	\$ 3,748,116
Investments	<u>2,033,393</u>	<u>1,365,317</u>	<u>3,398,710</u>	<u>234,577</u>	<u>3,633,287</u>
<b>Totals</b>	<u>\$ 4,056,527</u>	<u>\$ 3,048,132</u>	<u>\$ 7,104,659</u>	<u>\$ 276,744</u>	<u>\$ 7,381,403</u>

Cash and investments, as of June 30, 2022, consist of the following:

Cash on hand	\$ 1,593
Deposits with financial institutions	3,746,523
Investments	<u>3,633,287</u>
<b>Total</b>	<u>\$ 7,381,403</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, 2022, \$3,024,892 of the City’s bank balances (including the component unit) of \$3,879,076 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, 2022, the fair value, unfunded commitments, and redemption rules of these investments are as follows:

	<u>Michigan CLASS</u>
Fair value at June 30, 2022	\$ 3,633,287
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, 2022, for the City’s individual major funds, nonmajor funds, in the aggregate, were as follows:

<u>Funds</u>	<u>Accounts</u>	<u>Interest</u>	<u>Property taxes</u>	<u>Special assess- ments</u>	<u>Inter- govern- mental</u>	<u>Totals</u>
Governmental:						
General	\$ 17,286	\$ 105	\$ 190	\$ -	\$ 90,202	\$ 107,783
Major Street	1,222	-	-	-	63,785	65,007
Local Street	217	-	-	-	21,522	21,739
Public Safety	7,553	-	-	-	103,546	111,099
Nonmajor	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,661</u>	<u>-</u>	<u>21,661</u>
Total governmental	<u>\$ 26,278</u>	<u>\$ 105</u>	<u>\$ 190</u>	<u>\$ 21,661</u>	<u>\$ 279,055</u>	<u>\$ 327,289</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,619</u>	<u>\$ -</u>	<u>\$ 16,619</u>
Proprietary:						
Enterprise:						
Sewer	\$ 346,601	\$ -	\$ -	\$ -	\$ -	\$ 346,601
Water	<u>134,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,908</u>
Total proprietary	<u>\$ 481,509</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,509</u>

## NOTE 5 - CAPITAL ASSETS

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

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 903,714	\$ -	\$ -	\$ 903,714
Construction in progress	<u>-</u>	<u>99,462</u>	<u>-</u>	<u>99,462</u>
Total capital assets not being depreciated	<u>903,714</u>	<u>99,462</u>	<u>-</u>	<u>1,003,176</u>
Capital assets being depreciated:				
Buildings	2,218,219	-	-	2,218,219
Improvements	5,427,916	66,118	-	5,494,034
Furniture, fixtures, and equipment	1,061,156	17,351	-	1,078,507
Vehicles	<u>1,663,564</u>	<u>92,633</u>	<u>(43,257)</u>	<u>1,712,940</u>
Subtotal	<u>10,370,855</u>	<u>176,102</u>	<u>(43,257)</u>	<u>10,503,700</u>
Less accumulated depreciation for:				
Buildings	(1,097,182)	(49,202)	-	(1,146,384)
Improvements	(2,675,406)	(290,101)	-	(2,965,507)
Furniture, fixtures, and equipment	(667,026)	(62,379)	-	(729,405)
Vehicles	<u>(1,196,101)</u>	<u>(76,334)</u>	<u>42,082</u>	<u>(1,230,353)</u>
Subtotal	<u>(5,635,715)</u>	<u>(478,016)</u>	<u>42,082</u>	<u>(6,071,649)</u>
Total capital assets being depreciated, net	<u>4,735,140</u>	<u>(301,914)</u>	<u>(1,175)</u>	<u>4,432,051</u>
Governmental activities capital assets, net	<u>\$ 5,638,854</u>	<u>\$ (202,452)</u>	<u>\$ (1,175)</u>	<u>\$ 5,435,227</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
Construction in progress	<u>-</u>	<u>123,789</u>	<u>-</u>	<u>123,789</u>
Total capital assets not being depreciated	<u>23,052</u>	<u>123,789</u>	<u>-</u>	<u>146,841</u>
Capital assets being depreciated:				
Sewer system	8,242,747	91,030	(6,799)	8,326,978
Water system	<u>3,116,843</u>	<u>-</u>	<u>(72,404)</u>	<u>3,044,439</u>
Subtotal	<u>11,359,590</u>	<u>91,030</u>	<u>(79,203)</u>	<u>11,371,417</u>
Less accumulated depreciation for:				
Sewer system	(3,489,850)	(244,263)	6,799	(3,727,314)
Water system	<u>(1,634,224)</u>	<u>(63,582)</u>	<u>72,404</u>	<u>(1,625,402)</u>
Subtotal	<u>(5,124,074)</u>	<u>(307,845)</u>	<u>79,203</u>	<u>(5,352,716)</u>
Total capital assets being depreciated, net	<u>6,235,516</u>	<u>(216,815)</u>	<u>-</u>	<u>6,018,701</u>
Business-type activities capital assets, net	<u>\$ 6,258,568</u>	<u>\$ (93,026)</u>	<u>\$ -</u>	<u>\$ 6,165,542</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	2,107,939	165,744	-	2,273,683
Equipment	<u>37,130</u>	<u>-</u>	<u>-</u>	<u>37,130</u>
Subtotal	<u>2,145,069</u>	<u>165,744</u>	<u>-</u>	<u>2,310,813</u>
Less accumulated depreciation for:				
Buildings and improvements	(667,448)	(72,342)	-	(739,790)
Equipment	<u>(25,059)</u>	<u>(1,857)</u>	<u>-</u>	<u>(26,916)</u>
Subtotal	<u>(692,507)</u>	<u>(74,199)</u>	<u>-</u>	<u>(766,706)</u>
Total capital assets being depreciated, net	<u>1,452,562</u>	<u>91,545</u>	<u>-</u>	<u>1,544,107</u>
Component unit capital assets, net	<u>\$ 1,550,631</u>	<u>\$ 91,545</u>	<u>\$ -</u>	<u>\$ 1,642,176</u>

**NOTE 5 - CAPITAL ASSETS (Continued)**

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

Governmental activities:	
General government	\$ 30,404
Public safety	64,706
Public works	297,338
Recreation and culture	2,793
Depreciation on capital assets held by internal service fund	<u>82,775</u>
 Total governmental activities	 <u>\$ 478,016</u>

**NOTE 6 - LONG-TERM DEBT**

At June 30, 2022, 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>\$ 1,109,999</u>

Long-term debt activity for the year ended June 30, 2022, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Primary government:					
Governmental activities - compensated absences	<u>\$ 36,561</u>	<u>\$ 69,179</u>	<u>\$ (71,407)</u>	<u>\$ 34,333</u>	<u>\$ -</u>
Business-type activities:					
SRF bonds payable	\$ 1,164,999	\$ -	\$ (55,000)	\$ 1,109,999	\$ 55,000
Compensated absences	<u>10,087</u>	<u>23,832</u>	<u>(24,855)</u>	<u>9,064</u>	<u>-</u>
Total business-type activities	<u>\$ 1,175,086</u>	<u>\$ 23,832</u>	<u>\$ (79,855)</u>	<u>\$ 1,119,063</u>	<u>\$ 55,000</u>
Component unit:					
Compensated absences	<u>\$ 1,256</u>	<u>\$ 4,055</u>	<u>\$ (3,739)</u>	<u>\$ 1,572</u>	<u>\$ -</u>

**NOTE 6 - LONG-TERM DEBT (Continued)**

Debt service requirements at June 30, 2022, 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>
2023	\$ 55,000	\$ 27,750
2024	60,000	26,375
2025	60,000	24,875
2026	60,000	23,375
2027	65,000	21,875
2028-2032	340,000	84,625
2033-2037	385,000	39,875
2038	<u>84,999</u>	<u>2,125</u>
Total	<u>\$ 1,109,999</u>	<u>\$ 250,875</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>2,965</u>	Public Safety	\$ 2,641
		Sewer	227
		Water	<u>97</u>
			<u>2,965</u>
General	<u>295</u>	Public Safety	<u>295</u>
Solid Waste	<u>16,907</u>	DPW Equipment	<u>16,907</u>
Water	<u>3,237</u>	Local Street	<u>3,237</u>
Totals	<u>\$ 23,404</u>	Totals	<u>\$ 23,404</u>

The interfund balances are explained, as follows:

- Amounts due to the DPW Equipment Fund represent current amounts due for equipment charges.
- The amount due to the General Fund represents a reimbursement for costs incurred.
- The balance due to the Solid Waste Fund represents corrections in equipment charges for the current fiscal year.
- The balance due to the Water Fund represents a reimbursement for capital asset transactions.

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

Interfund transfers occurred during the year ended June 30, 2022, as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Public Safety	\$ 966,205	General	\$ 966,205
Local Street	<u>194,650</u>	Major Street	90,000
		Street and Bridge	<u>104,650</u>
			<u>194,650</u>
Capital Projects	<u>87,125</u>	General	59,645
		Public Safety	18,555
		Solid Waste	<u>8,925</u>
			<u>87,125</u>
Equipment Replacement	<u>120,180</u>	General	15,240
		Public Safety	<u>104,940</u>
			<u>120,180</u>
Totals	<u>\$ 1,368,160</u>	Totals	<u>\$ 1,368,160</u>

- The General Fund transfer to the Public Safety Fund represents unrestricted funds to support expenditures recorded in the Public Safety Fund.
- Transfers to the Local Street Fund, from the Major Street Fund and the Street and Bridge Fund, a nonmajor governmental fund, represent support for street maintenance costs in the current year.
- 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.

**NOTE 8 - PROPERTY TAX REVENUES**

The taxable valuation of the City, for the 2021 tax year, amounted to \$96,372,293, on which ad valorem taxes levied consisted of 11.3657 mills for operating purposes, 2.3773 mills for solid waste/recycling, and 1.8807 mills for public safety, raising approximately \$1,107,000 for operating purposes, \$230,000 for solid waste/recycling, and \$181,000 for public safety. These amounts are recognized in the fund financial statements as property tax revenue.

**NOTE 9 - TAX ABATEMENTS**

The City enters into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within the City. Each agreement was negotiated under a state law, which allows local units to abate property taxes for a variety of economic development purposes. Tax abatements may be granted to local businesses located within the City or promising to relocate within the City. Depending on the statute referenced for a particular abatement, the City may grant abatements of up to 50% of annual property taxes through a direct reduction of the entity's property tax bill, not to exceed twelve years. Depending on the terms of the agreement and state law, abated taxes may be subject to recapture upon default of the entity. The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governmental entities.

**NOTE 9 - TAX ABATEMENTS (continued)**

For the fiscal year ended June 30, 2022, the City abated property taxes as follows:

<u>Purpose</u>	<u>State statute</u>	<u>Percentage of taxes abated</u>	<u>City taxes abated</u>
Manufacturer investment in property	PA 198 of 1974	50%	\$ 18,448
Paper mill investment in property	PA 198 of 1974	50%	22,118
Industrial building rehabilitation	PA 198 of 1974	42%	<u>1,885</u>
			<u>\$ 42,451</u>

**NOTE 10 - 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, 2022, employee contributions totaled \$41,430, and the City recognized pension expense of \$142,387.

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, 2022, there were no forfeitures and the City reported \$2,987 in accrued liabilities as part of the contributions to the Plan.

**NOTE 11 - CONTINGENT LIABILITIES**

The City is contingently liable to its employees for \$294,351 in accumulated non-vested sick pay benefits.

**NOTE 12 - 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 13 - CONSTRUCTION CODE ACT**

A summary of construction code enforcement transactions for the year ended June 30, 2022, is as follows. At June 30, 2022, there was no cumulative excess of revenues from construction code enforcement activities.

Excess cumulative revenues, beginning of year	\$ <u>945</u>
Revenues	\$ 30,072
Expenses	<u>32,915</u>
Deficiency of revenues over expenses	<u>\$ (2,843)</u>
Excess cumulative revenues, end of year	<u>\$ -</u>

**NOTE 14 - RESTRICTED NET POSITION**

The government-wide statement of net position reports \$1,838,454 of restricted net position, which is restricted by enabling legislation. Of this amount, \$584 is restricted for public safety expenditures and \$1,837,870 is restricted for public works expenditures.

**NOTE 15 - ECONOMIC DEPENDENCY**

For the fiscal year ended June 30, 2022, the City received approximately 16 percent of its utility revenues from two industrial property owners.

**NOTE 16 - AMERICAN RESCUE PLAN ACT of 2021**

On March 11, 2021, the United States executed the American Rescue Plan Act of 2021 (ARPA), which included \$362 billion in funds to be awarded as economic assistance to state and local units to prepare for and respond to COVID-19. Under the American Rescue Plan Act, the City was awarded \$418,046 in federal Coronavirus Local Fiscal Recovery Funds (“ARPA Funds”). The City received ARPA Funds, in the amount of \$419,724, during the year ended June 30, 2022, which are reported as unearned revenues at year end, as no expenditures were incurred during the current fiscal year. The City is subject to rules issued by the U.S. Treasury Department regarding the use of ARPA Funds and has identified the following allowable uses: support public health expenditures, address negative economic impacts caused by the COVID-19 public health emergency, replace lost public sector revenue, provide premium pay for essential workers, and invest in water, sewer, and broadband infrastructure. The City expects to spend the awarded funds under the applicable federal guidelines.

**NOTE 17 - PENDING ACCOUNTING PRONOUNCEMENT**

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended June 30, 2022

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 1,195,070	\$ 1,195,070	\$ 1,193,255	\$ (1,815)
Licenses and permits	49,115	49,115	53,359	4,244
State grants	678,240	678,240	727,195	48,955
Charges for services	20,950	20,950	23,521	2,571
Interest and rentals	2,500	2,500	1,028	(1,472)
Other	2,000	2,000	3,316	1,316
	<u>1,947,875</u>	<u>1,947,875</u>	<u>2,001,674</u>	<u>53,799</u>
Total revenues				
<b>EXPENDITURES</b>				
General government	540,745	623,595	586,893	36,702
Public works	304,175	304,175	266,101	38,074
Health and welfare	9,500	9,500	9,170	330
Community and economic development	45,935	45,935	31,571	14,364
Recreation and culture	153,105	159,605	140,519	19,086
	<u>1,053,460</u>	<u>1,142,810</u>	<u>1,034,254</u>	<u>108,556</u>
Total expenditures				
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	<u>894,415</u>	<u>805,065</u>	<u>967,420</u>	<u>162,355</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	-	30,100	31,423	1,323
Transfers out	(1,085,035)	(1,085,035)	(1,041,090)	43,945
	<u>(1,085,035)</u>	<u>(1,054,935)</u>	<u>(1,009,667)</u>	<u>45,268</u>
Net other financing sources (uses)				
<b>NET CHANGES IN FUND BALANCES</b>				
	(190,620)	(249,870)	(42,247)	207,623
<b>FUND BALANCES - BEGINNING</b>				
	<u>719,161</u>	<u>719,161</u>	<u>719,161</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>				
	<u>\$ 528,541</u>	<u>\$ 469,291</u>	<u>\$ 676,914</u>	<u>\$ 207,623</u>

**BUDGETARY COMPARISON SCHEDULE - Major Street Fund**

Year ended June 30, 2022

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
State grants	\$ 415,655	\$ 415,655	\$ 433,493	\$ 17,838
Interest	2,000	2,000	1,408	(592)
Other	-	-	515	515
Total revenues	<u>417,655</u>	<u>417,655</u>	<u>435,416</u>	<u>17,761</u>
<b>EXPENDITURES</b>				
Public works	205,505	215,005	135,690	79,315
Capital outlay	<u>35,000</u>	<u>69,600</u>	<u>67,091</u>	<u>2,509</u>
Total expenditures	<u>240,505</u>	<u>284,605</u>	<u>202,781</u>	<u>81,824</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	177,150	133,050	232,635	99,585
<b>OTHER FINANCING USES</b>				
Transfers out	-	(90,000)	(90,000)	-
<b>NET CHANGES IN FUND BALANCES</b>	177,150	43,050	142,635	99,585
<b>FUND BALANCES - BEGINNING</b>	<u>876,685</u>	<u>876,685</u>	<u>876,685</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,053,835</u>	<u>\$ 919,735</u>	<u>\$ 1,019,320</u>	<u>\$ 99,585</u>

**BUDGETARY COMPARISON SCHEDULE - Local Street Fund**

Year ended June 30, 2022

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
State grants	\$ 146,080	\$ 146,080	\$ 149,326	\$ 3,246
Charges for services	-	-	203	203
Interest	1,000	1,000	29	(971)
Other	-	-	429	429
Total revenues	<u>147,080</u>	<u>147,080</u>	<u>149,987</u>	<u>2,907</u>
<b>EXPENDITURES</b>				
Public works	173,355	183,005	134,603	48,402
Capital outlay	<u>123,000</u>	<u>123,000</u>	<u>98,490</u>	<u>24,510</u>
Total expenditures	<u>296,355</u>	<u>306,005</u>	<u>233,093</u>	<u>72,912</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>				
	<u>(149,275)</u>	<u>(158,925)</u>	<u>(83,106)</u>	<u>75,819</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>104,650</u>	<u>194,650</u>	<u>194,650</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>				
	(44,625)	35,725	111,544	75,819
<b>FUND BALANCES - BEGINNING</b>				
	<u>90,154</u>	<u>90,154</u>	<u>90,154</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>				
	<u>\$ 45,529</u>	<u>\$ 125,879</u>	<u>\$ 201,698</u>	<u>\$ 75,819</u>

**BUDGETARY COMPARISON SCHEDULE - Public Safety Fund**

Year ended June 30, 2022

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 187,300	\$ 187,300	\$ 186,747	\$ (553)
Licenses and permits	50	50	-	(50)
State grants	5,000	48,630	48,041	(589)
Intergovernmental	186,725	186,725	177,206	(9,519)
Charges for services	40,600	40,600	50,151	9,551
Fines and forfeitures	16,000	16,000	4,288	(11,712)
Interest and rentals	500	500	547	47
Other	-	-	7,680	7,680
	<u>436,175</u>	<u>479,805</u>	<u>474,660</u>	<u>(5,145)</u>
Total revenues				
<b>EXPENDITURES</b>				
Public safety:				
Police Department	926,225	926,225	879,545	46,680
Fire Department	400,765	400,765	357,186	43,579
Building inspections	36,720	36,720	32,915	3,805
	<u>1,363,710</u>	<u>1,363,710</u>	<u>1,269,646</u>	<u>94,064</u>
Total expenditures				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(927,535)</u>	<u>(883,905)</u>	<u>(794,986)</u>	<u>88,919</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	525	525
Insurance recoveries	-	-	41	41
Transfers in	1,010,150	1,010,150	966,205	(43,945)
Transfers out	(123,495)	(123,495)	(123,495)	-
	<u>886,655</u>	<u>886,655</u>	<u>843,276</u>	<u>(43,379)</u>
Net other financing sources (uses)				
<b>NET CHANGES IN FUND BALANCES</b>				
	(40,880)	2,750	48,290	45,540
<b>FUND BALANCES - BEGINNING</b>				
	<u>259,737</u>	<u>259,737</u>	<u>259,737</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>				
	<u>\$ 218,857</u>	<u>\$ 262,487</u>	<u>\$ 308,027</u>	<u>\$ 45,540</u>

**SUPPLEMENTARY INFORMATION**

**COMBINING BALANCE SHEET - nonmajor governmental funds**

June 30, 2022

	<i>Special revenue</i>		<i>Capital projects</i>			<i>Totals</i>
	<i>Street and Bridge</i>	<i>Solid Waste</i>	<i>Capital Projects</i>	<i>Equipment Replacement</i>	<i>Special Assessment</i>	
<b>ASSETS</b>						
Cash	\$ 164,809	\$ 35,335	\$ 262,530	\$ 82,983	\$ 10,365	\$ 556,022
Investments	144,980	257,966	60,622	181,861	417,448	1,062,877
Receivables	-	-	-	-	21,661	21,661
Due from other funds	-	16,907	-	-	-	16,907
Prepays	-	1,498	-	-	-	1,498
Total assets	<u>\$ 309,789</u>	<u>\$ 311,706</u>	<u>\$ 323,152</u>	<u>\$ 264,844</u>	<u>\$ 449,474</u>	<u>\$ 1,658,965</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ 3,884	\$ -	\$ 1,043	\$ -	\$ 4,927
Accrued payroll liabilities	-	759	-	-	-	759
Total liabilities	-	4,643	-	1,043	-	5,686
Deferred inflows of resources - unavailible special assessment revenue	-	-	-	-	21,661	21,661
Fund balances:						
Nonspendable - prepaids	-	1,498	-	-	-	1,498
Restricted for public works	309,789	305,565	-	-	-	615,354
Committed for:						
Public works	-	-	-	-	427,813	427,813
Capital outlay	-	-	323,152	263,801	-	586,953
Total fund balances	<u>309,789</u>	<u>307,063</u>	<u>323,152</u>	<u>263,801</u>	<u>427,813</u>	<u>1,631,618</u>
Total deferred inflows of inflows of resources and fund balances	<u>\$ 309,789</u>	<u>\$ 311,706</u>	<u>\$ 323,152</u>	<u>\$ 264,844</u>	<u>\$ 449,474</u>	<u>\$ 1,658,965</u>

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

Year ended June 30, 2022

	<i>Special revenue</i>		<i>Capital projects</i>			<i>Totals</i>
	<i>Street and Bridge</i>	<i>Solid Waste</i>	<i>Capital Projects</i>	<i>Equipment Replacement</i>	<i>Special Assessment</i>	
<b>REVENUES</b>						
Property taxes	\$ -	\$ 237,273	\$ -	\$ -	\$ -	\$ 237,273
State grants	-	60,287	-	-	-	60,287
Intergovernmental	143,560	-	-	-	-	143,560
Charges for services	-	52,748	-	-	-	52,748
Interest	364	630	273	442	1,623	3,332
Other	-	754	-	-	5,733	6,487
Total revenues	<u>143,924</u>	<u>351,692</u>	<u>273</u>	<u>442</u>	<u>7,356</u>	<u>503,687</u>
<b>EXPENDITURES</b>						
Current - public works	-	276,447	-	-	-	276,447
Capital outlay	-	-	-	59,285	-	59,285
Total expenditures	<u>-</u>	<u>276,447</u>	<u>-</u>	<u>59,285</u>	<u>-</u>	<u>335,732</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>143,924</u>	<u>75,245</u>	<u>273</u>	<u>(58,843)</u>	<u>7,356</u>	<u>167,955</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Insurance recoveries	-	1,341	-	-	-	1,341
Transfers in	-	-	87,125	120,180	-	207,305
Transfers out	(104,650)	(8,925)	-	-	-	(113,575)
Net other financing sources (uses)	<u>(104,650)</u>	<u>(7,584)</u>	<u>87,125</u>	<u>120,180</u>	<u>-</u>	<u>95,071</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>39,274</u>	<u>67,661</u>	<u>87,398</u>	<u>61,337</u>	<u>7,356</u>	<u>263,026</u>
<b>FUND BALANCES - BEGINNING</b>	<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>
<b>FUND BALANCES - ENDING</b>	<u>\$ 309,789</u>	<u>\$ 307,063</u>	<u>\$ 323,152</u>	<u>\$ 263,801</u>	<u>\$ 427,813</u>	<u>\$ 1,631,618</u>

**BALANCE SHEET - governmental funds**

June 30, 2022

	<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>
<b>ASSETS</b>									
Cash	\$ 487,503	\$ 422,978	\$ 174,645	\$ 66,021	\$ 164,809	\$ 35,335	\$ 262,530	\$ 82,983	\$ 10,365
Investments	119,965	531,135	8,443	161,516	144,980	257,966	60,622	181,861	417,448
Receivables:									
Taxes	190	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	21,661
Accounts	17,286	1,222	217	7,553	-	-	-	-	-
Interest	105	-	-	-	-	-	-	-	-
Due from other funds	295	-	-	-	-	16,907	-	-	-
Due from component unit	35	-	-	-	-	-	-	-	-
Due from other governmental units	90,202	63,785	21,522	103,546	-	-	-	-	-
Prepays	17,812	1,068	1,077	25,930	-	1,498	-	-	-
	<u>733,393</u>	<u>1,020,188</u>	<u>205,904</u>	<u>364,566</u>	<u>309,789</u>	<u>311,706</u>	<u>323,152</u>	<u>264,844</u>	<u>449,474</u>
Total assets	\$ 733,393	\$ 1,020,188	\$ 205,904	\$ 364,566	\$ 309,789	\$ 311,706	\$ 323,152	\$ 264,844	\$ 449,474
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	\$ 30,188	\$ 175	\$ 165	\$ 19,712	\$ -	\$ 3,884	\$ -	\$ 1,043	\$ -
Accrued payroll liabilities	9,896	693	804	33,861	-	759	-	-	-
Due to other funds	-	-	3,237	2,936	-	-	-	-	-
Due to other governmental units	16,395	-	-	30	-	-	-	-	-
	<u>56,479</u>	<u>868</u>	<u>4,206</u>	<u>56,539</u>	<u>-</u>	<u>4,643</u>	<u>-</u>	<u>1,043</u>	<u>-</u>
Total liabilities	56,479	868	4,206	56,539	-	4,643	-	1,043	-
Deferred inflows of resources - unavailable special assessments	-	-	-	-	-	-	-	-	21,661
Fund balances:									
Nonspendable - prepaids	17,812	1,068	1,077	25,930	-	1,498	-	-	-
Restricted for:									
Public works	-	1,018,252	200,621	-	309,789	305,565	-	-	-
Committed for:									
Public safety	-	-	-	282,097	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	427,813
Capital outlay	-	-	-	-	-	-	323,152	263,801	-
Unassigned	659,102	-	-	-	-	-	-	-	-
	<u>676,914</u>	<u>1,019,320</u>	<u>201,698</u>	<u>308,027</u>	<u>309,789</u>	<u>307,063</u>	<u>323,152</u>	<u>263,801</u>	<u>427,813</u>
Total fund balances	676,914	1,019,320	201,698	308,027	309,789	307,063	323,152	263,801	427,813
Total liabilities, deferred inflows of resources, and fund balances	\$ 733,393	\$ 1,020,188	\$ 205,904	\$ 364,566	\$ 309,789	\$ 311,706	\$ 323,152	\$ 264,844	\$ 449,474

**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended June 30, 2022

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>			
Property taxes	\$ 1,195,070	\$ 1,193,255	\$ (1,815)
Licenses and permits	49,115	53,359	4,244
State grants	678,240	727,195	48,955
Charges for services	20,950	23,521	2,571
Interest and rentals	2,500	1,028	(1,472)
Other	2,000	3,316	1,316
Total revenues	<u>1,947,875</u>	<u>2,001,674</u>	<u>53,799</u>
<b>EXPENDITURES</b>			
General government:			
Legislative	29,745	21,869	7,876
City manager	124,725	118,372	6,353
Elections	23,260	19,313	3,947
Assessor	44,620	43,357	1,263
Clerk	69,105	65,699	3,406
Board of review	1,515	1,351	164
Treasurer/finance director	201,440	198,023	3,417
Building and grounds	86,725	84,668	2,057
Cemetery	42,460	34,241	8,219
Total general government	<u>623,595</u>	<u>586,893</u>	<u>36,702</u>
Public works:			
Department of Public Works	68,975	59,769	9,206
General services	235,200	206,332	28,868
Total public works	<u>304,175</u>	<u>266,101</u>	<u>38,074</u>
Health and welfare - ambulance	<u>9,500</u>	<u>9,170</u>	<u>330</u>
Community and economic development:			
Planning Commission	13,550	49	13,501
Economic development	32,385	31,522	863
Total community and economic development	<u>45,935</u>	<u>31,571</u>	<u>14,364</u>

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2022

	<i><u>Final budget</u></i>	<i><u>Actual</u></i>	<i><u>Variance with final budget positive (negative)</u></i>
<b>EXPENDITURES (Continued)</b>			
Recreation and culture - parks and recreation	\$ 159,605	\$ 140,519	\$ 19,086
Total expenditures	<u>1,142,810</u>	<u>1,034,254</u>	<u>108,556</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>805,065</u>	<u>967,420</u>	<u>162,355</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance recoveries	30,100	31,423	1,323
Transfers out	<u>(1,085,035)</u>	<u>(1,041,090)</u>	<u>43,945</u>
Net other financing sources (uses)	<u>(1,054,935)</u>	<u>(1,009,667)</u>	<u>45,268</u>
<b>NET CHANGES IN FUND BALANCES</b>	(249,870)	(42,247)	207,623
<b>FUND BALANCES - BEGINNING</b>	<u>719,161</u>	<u>719,161</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 469,291</u>	<u>\$ 676,914</u>	<u>\$ 207,623</u>

**BUDGETARY COMPARISON SCHEDULE - Major Street Fund**

Year ended June 30, 2022

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>			
State grants	\$ 415,655	\$ 433,493	\$ 17,838
Interest	2,000	1,408	(592)
Other	-	515	515
	<u>417,655</u>	<u>435,416</u>	<u>17,761</u>
Total revenues			
<b>EXPENDITURES</b>			
Public works:			
Surface maintenance	43,160	36,871	6,289
Shoulder maintenance	26,270	7,113	19,157
Trees and shrubs	16,785	13,650	3,135
Drainage	20,560	7,263	13,297
Bridge maintenance	16,020	4,565	11,455
Traffic signs and signals	8,685	3,658	5,027
Winter maintenance	39,205	30,486	8,719
Administration	15,005	13,505	1,500
State trunk line maintenance	29,315	18,579	10,736
	<u>215,005</u>	<u>135,690</u>	<u>79,315</u>
Total public works			
Capital outlay	<u>69,600</u>	<u>67,091</u>	<u>2,509</u>
Total expenditures	<u>284,605</u>	<u>202,781</u>	<u>81,824</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	133,050	232,635	99,585
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	43,050	142,635	99,585
<b>FUND BALANCES - BEGINNING</b>	<u>876,685</u>	<u>876,685</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 919,735</u>	<u>\$ 1,019,320</u>	<u>\$ 99,585</u>

**BUDGETARY COMPARISON SCHEDULE - Local Street Fund**

Year ended June 30, 2022

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>			
State grants	\$ 146,080	\$ 149,326	\$ 3,246
Charges for services	-	203	203
Interest	1,000	29	(971)
Other	-	429	429
	<u>147,080</u>	<u>149,987</u>	<u>2,907</u>
Total revenues			
<b>EXPENDITURES</b>			
Public works:			
Surface maintenance	52,275	48,431	3,844
Shoulder maintenance	30,980	7,497	23,483
Trees and shrubs	28,455	29,370	(915)
Drainage	25,590	9,772	15,818
Traffic signs and signals	4,840	1,511	3,329
Winter maintenance	28,125	28,069	56
Administration	12,740	9,953	2,787
	<u>183,005</u>	<u>134,603</u>	<u>48,402</u>
Total public works			
Capital outlay	<u>123,000</u>	<u>98,490</u>	<u>24,510</u>
Total expenditures	<u>306,005</u>	<u>233,093</u>	<u>72,912</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(158,925)</u>	<u>(83,106)</u>	<u>75,819</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>194,650</u>	<u>194,650</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	35,725	111,544	75,819
<b>FUND BALANCES - BEGINNING</b>	<u>90,154</u>	<u>90,154</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 125,879</u>	<u>\$ 201,698</u>	<u>\$ 75,819</u>

**BUDGETARY COMPARISON SCHEDULE - Public Safety Fund**

Year ended June 30, 2022

	<i><b>Final budget</b></i>	<i><b>Actual</b></i>	<i><b>Variance with final budget positive (negative)</b></i>
<b>REVENUES</b>			
Property taxes	\$ 187,300	\$ 186,747	\$ (553)
Licenses and permits	50	-	(50)
State grants	48,630	48,041	(589)
Intergovernmental	186,725	177,206	(9,519)
Charges for services	40,600	50,151	9,551
Fines and forfeitures	16,000	4,288	(11,712)
Interest and rentals	500	547	47
Other	-	7,680	7,680
	<u>479,805</u>	<u>474,660</u>	<u>(5,145)</u>
Total revenues			
<b>EXPENDITURES</b>			
Public safety:			
Police	926,225	879,545	46,680
Fire	400,765	357,186	43,579
Code inspections	36,720	32,915	3,805
	<u>1,363,710</u>	<u>1,269,646</u>	<u>94,064</u>
Total public safety			
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(883,905)</u>	<u>(794,986)</u>	<u>88,919</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	-	525	525
Insurance recoveries	-	41	41
Transfers in	1,010,150	966,205	(43,945)
Transfers out	(123,495)	(123,495)	-
	<u>886,655</u>	<u>843,276</u>	<u>(43,379)</u>
Net other financing sources (uses)			
<b>NET CHANGES IN FUND BALANCES</b>	2,750	48,290	45,540
<b>FUND BALANCES - BEGINNING</b>	<u>259,737</u>	<u>259,737</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 262,487</u>	<u>\$ 308,027</u>	<u>\$ 45,540</u>

**BUDGETARY COMPARISON SCHEDULE - Street and Bridge Fund**

Year ended June 30, 2022

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>			
Intergovernmental	\$ 132,900	\$ 143,560	\$ 10,660
Interest	<u>10</u>	<u>364</u>	<u>354</u>
Total revenues	132,910	143,924	11,014
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(104,650)</u>	<u>(104,650)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	28,260	39,274	11,014
<b>FUND BALANCES - BEGINNING</b>	<u>270,515</u>	<u>270,515</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 298,775</u>	<u>\$ 309,789</u>	<u>\$ 11,014</u>

**BUDGETARY COMPARISON SCHEDULE - Solid Waste Fund**

Year ended June 30, 2022

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 237,965	\$ 237,273	\$ (692)
State grants	60,285	60,287	2
Charges for services	57,500	52,748	(4,752)
Interest	250	630	380
Other	-	754	754
	<u>356,000</u>	<u>351,692</u>	<u>(4,308)</u>
<b>EXPENDITURES</b>			
Public works	<u>285,155</u>	<u>276,447</u>	<u>8,708</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>			
	<u>70,845</u>	<u>75,245</u>	<u>4,400</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance recoveries	-	1,341	1,341
Transfers out	<u>(8,925)</u>	<u>(8,925)</u>	<u>-</u>
	<u>(8,925)</u>	<u>(7,584)</u>	<u>1,341</u>
<b>NET CHANGES IN FUND BALANCES</b>			
	61,920	67,661	5,741
<b>FUND BALANCES - BEGINNING</b>			
	<u>239,402</u>	<u>239,402</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>			
	<u>\$ 301,322</u>	<u>\$ 307,063</u>	<u>\$ 5,741</u>

**BUDGETARY COMPARISON SCHEDULE - Capital Projects Fund**

Year ended June 30, 2022

	<i><b>Final budget</b></i>	<i><b>Actual</b></i>	<i><b>Variance with final budget positive (negative)</b></i>
<b>REVENUES</b>			
Interest	\$ 200	\$ 273	\$ 73
<b>EXPENDITURES</b>			
Capital outlay	45,000	-	45,000
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(44,800)	273	45,073
<b>OTHER FINANCING SOURCES</b>			
Transfers in	87,125	87,125	-
<b>NET CHANGES IN FUND BALANCES</b>	42,325	87,398	45,073
<b>FUND BALANCES - BEGINNING</b>	235,754	235,754	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 278,079</u>	<u>\$ 323,152</u>	<u>\$ 45,073</u>

**BUDGETARY COMPARISON SCHEDULE - Equipment Replacement Fund**

Year ended June 30, 2022

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>			
Interest	\$ 150	\$ 442	\$ 292
<b>EXPENDITURES</b>			
Capital outlay	<u>65,000</u>	<u>59,285</u>	<u>5,715</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(65,150)	(58,843)	6,007
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>120,180</u>	<u>120,180</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	55,030	61,337	6,007
<b>FUND BALANCES - BEGINNING</b>	<u>202,464</u>	<u>202,464</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 257,494</u>	<u>\$ 263,801</u>	<u>\$ 6,007</u>

**BUDGETARY COMPARISON SCHEDULE - Special Assessment Capital Project Fund**

Year ended June 30, 2022

	<i><b>Final budget</b></i>	<i><b>Actual</b></i>	<i><b>Variance with final budget positive (negative)</b></i>
<b>REVENUES</b>			
Interest	\$ 2,100	\$ 1,623	\$ (477)
Other - special assessment revenue	<u>4,865</u>	<u>5,733</u>	<u>868</u>
<b>NET CHANGES IN FUND BALANCES</b>	6,965	7,356	391
<b>FUND BALANCES - BEGINNING</b>	<u>420,457</u>	<u>420,457</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 427,422</u>	<u>\$ 427,813</u>	<u>\$ 391</u>

**BUDGETARY COMPARISON SCHEDULE - Sewer Fund**

Year ended June 30, 2022

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,074,270	\$ 1,043,362	\$ (30,908)
Penalties	17,000	19,533	2,533
Other	-	1,080	1,080
	<u>1,091,270</u>	<u>1,063,975</u>	<u>(27,295)</u>
Total operating revenues			
<b>OPERATING EXPENSES</b>			
Mains	148,240	126,407	21,833
Wastewater treatment plant	550,025	415,978	134,047
Administration	67,965	61,504	6,461
Depreciation	241,000	244,263	(3,263)
	<u>1,007,230</u>	<u>848,152</u>	<u>159,078</u>
Total operating expenses			
<b>OPERATING INCOME</b>	<u>84,040</u>	<u>215,823</u>	<u>131,783</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Insurance recoveries	-	54,217	54,217
Interest income	1,500	1,437	(63)
Interest expense	(29,125)	(28,781)	344
	<u>(27,625)</u>	<u>26,873</u>	<u>54,498</u>
Total nonoperating revenues (expenses)			
<b>CHANGES IN NET POSITION</b>	56,415	242,696	186,281
<b>NET POSITION - BEGINNING</b>	<u>4,935,397</u>	<u>4,935,397</u>	<u>-</u>
<b>NET POSITION - ENDING</b>	<u>\$ 4,991,812</u>	<u>\$ 5,178,093</u>	<u>\$ 186,281</u>

**BUDGETARY COMPARISON SCHEDULE - Water Fund**

Year ended June 30, 2022

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 596,455	\$ 583,229	\$ (13,226)
Hydrant rentals	7,280	7,280	-
Penalties	7,500	7,155	(345)
Other	-	1,773	1,773
	<u>611,235</u>	<u>599,437</u>	<u>(11,798)</u>
Total operating revenues			
<b>OPERATING EXPENSES</b>			
Mains	258,875	167,968	90,907
Water pumping	160,450	148,559	11,891
Administration	69,485	58,065	11,420
Depreciation	76,000	63,582	12,418
	<u>564,810</u>	<u>438,174</u>	<u>126,636</u>
Total operating expenses			
<b>OPERATING INCOME</b>	<u>46,425</u>	<u>161,263</u>	<u>114,838</u>
<b>NONOPERATING REVENUE</b>			
Insurance recoveries	-	1,593	1,593
Interest income	2,500	2,168	(332)
	<u>2,500</u>	<u>3,761</u>	<u>1,261</u>
Total nonoperating revenues			
<b>CHANGES IN NET POSITION</b>	48,925	165,024	116,099
<b>NET POSITION - BEGINNING</b>	<u>2,828,069</u>	<u>2,828,069</u>	<u>-</u>
<b>NET POSITION - ENDING</b>	<u>\$ 2,876,994</u>	<u>\$ 2,993,093</u>	<u>\$ 116,099</u>

**BUDGETARY COMPARISON SCHEDULE - Motor Pool Fund**

Year ended June 30, 2022

	<i><b>Final budget</b></i>	<i><b>Actual</b></i>	<i><b>Variance with final budget positive (negative)</b></i>
<b>OPERATING REVENUES</b>			
Equipment rental	\$ 205,000	\$ 232,287	\$ 27,287
Fuel and other charges	<u>16,000</u>	<u>31,445</u>	<u>15,445</u>
Total operating revenues	<u>221,000</u>	<u>263,732</u>	<u>42,732</u>
<b>OPERATING EXPENSES</b>			
Equipment pool operations	136,290	132,889	3,401
Depreciation	<u>83,000</u>	<u>82,775</u>	<u>225</u>
Total operating expenses	<u>219,290</u>	<u>215,664</u>	<u>3,626</u>
<b>OPERATING INCOME</b>	<u>1,710</u>	<u>48,068</u>	<u>46,358</u>
<b>NONOPERATING REVENUES</b>			
Gain on sale of capital assets	2,000	2,325	325
Interest income	<u>1,000</u>	<u>519</u>	<u>(481)</u>
Total nonoperating revenues	<u>3,000</u>	<u>2,844</u>	<u>(156)</u>
<b>CHANGES IN NET POSITION</b>	4,710	50,912	46,202
<b>NET POSITION - BEGINNING</b>	<u>840,406</u>	<u>840,406</u>	<u>-</u>
<b>NET POSITION - ENDING</b>	<u>\$ 845,116</u>	<u>\$ 891,318</u>	<u>\$ 46,202</u>

**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>

Fund balance:

Nonspendable - prepaids	1,878
Restricted - community promotion	2,861
Unassigned	<u>269,895</u>
Total fund balance	<u>274,634</u>

Total liabilities and fund balance \$ 278,622

Total fund balance \$ 274,634

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

Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund. (1,572)

Net position of the *component unit* \$ 1,915,238

**BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority**

Year ended June 30, 2022

	<i>Final budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
<b>REVENUES</b>			
State grant - local community stabilization	\$ 276,700	\$ 276,587	\$ (113)
Interest and rentals	500	615	115
Other	<u>84,180</u>	<u>64,449</u>	<u>(19,731)</u>
Total revenues	<u>361,380</u>	<u>341,651</u>	<u>(19,729)</u>
<b>EXPENDITURES</b>			
Economic development	302,265	227,041	75,224
Capital outlay	<u>165,000</u>	<u>165,744</u>	<u>(744)</u>
Total expenditures	<u>467,265</u>	<u>392,785</u>	<u>74,480</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(105,885)	(51,134)	54,751
<b>OTHER FINANCING SOURCES</b>			
Insurance recoveries	<u>-</u>	<u>49</u>	<u>49</u>
<b>NET CHANGES IN FUND BALANCES</b>	(105,885)	(51,085)	54,800
<b>FUND BALANCES - BEGINNING</b>	<u>325,719</u>	<u>325,719</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<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>