

City of Otsego
Allegan County, Michigan
FINANCIAL STATEMENTS
Year ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

City Commission
City of Otsego, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Otsego, Michigan (the City), as of and for the year ended June 30, 2023, 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, 2023, 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 13, 2023

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, 2023. Please read it in conjunction with the City's financial statements.

Financial Highlights

- The City's total net position increased by \$3,455,113, or 19.3 percent, as a result of this year's operations. The net position of the governmental activities increased by \$2,448,706 and the net position of the business-type activities increased by \$1,006,407.
- Of the \$21,361,625 total net position reported, \$6,040,538 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 \$1,105,832, which represents 53 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 \$21,361,625. However, the majority of the City's net position, in the amount of \$13,116,686 (61 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 \$2,204,401 of the City's net position is restricted for public safety (\$1,415) and public works (\$2,202,986). The City may use the remaining balance of unrestricted net position of \$6,040,538 to meet its ongoing obligations to citizens and creditors. The unrestricted net position for the governmental activities increased by 18.4 percent for the fiscal year, and the unrestricted net position for the business-type activities increased by .4 percent.

The unrestricted net position for governmental activities increased by \$452,239, primarily due to increased state grants and decreased transfers out in the General Fund, and the postponement of capital improvement projects in the Major and Local Street Funds. The current level of unrestricted net position for governmental activities represents 82 percent of the fiscal year's expenses.

The unrestricted net position of the business-type activities increased by \$11,011 during the year, primarily due to lower than anticipated expenditures. The ending unrestricted balance of \$3,126,654 represents 192 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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 5,269,797	\$ 4,461,064	\$ 3,616,042	\$ 3,576,286	\$ 8,885,839	\$ 8,037,350
Capital assets	<u>7,065,747</u>	<u>5,435,227</u>	<u>7,105,938</u>	<u>6,165,542</u>	<u>14,171,685</u>	<u>11,600,769</u>
Total assets	<u>12,335,544</u>	<u>9,896,291</u>	<u>10,721,980</u>	<u>9,741,828</u>	<u>23,057,524</u>	<u>19,638,119</u>
Current and other liabilities	151,512	160,965	489,388	460,643	640,900	621,608
Long-term debt	<u>-</u>	<u>-</u>	<u>1,054,999</u>	<u>1,109,999</u>	<u>1,054,999</u>	<u>1,109,999</u>
Total liabilities	<u>151,512</u>	<u>160,965</u>	<u>1,544,387</u>	<u>1,570,642</u>	<u>1,695,899</u>	<u>1,731,607</u>
Net position:						
Net investment in capital assets	7,065,747	5,435,227	6,050,939	5,055,543	13,116,686	10,490,770
Restricted	2,204,401	1,838,454	-	-	2,204,401	1,838,454
Unrestricted	<u>2,913,884</u>	<u>2,461,645</u>	<u>3,126,654</u>	<u>3,115,643</u>	<u>6,040,538</u>	<u>5,577,288</u>
Total net position	<u>\$12,184,032</u>	<u>\$ 9,735,326</u>	<u>\$ 9,177,593</u>	<u>\$ 8,171,186</u>	<u>\$21,361,625</u>	<u>\$17,906,512</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 much higher than the prior year, as revenues increased by \$3,323,017 while expenses only increased by \$676,016.

Governmental activities increased the City's net position by \$2,448,706 primarily due to receiving capital grants of \$1,708,724, and an increase in state community stabilization grants of \$410,415.

Business-type activities increased the City's net position by \$1,006,407 primarily due to construction of new capital assets as capital grants were recognized, in the amount of \$837,771, to help fund the construction projects.

Schedule 2
Statement of Activities - Two Year Comparison

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Program revenues:						
Charges for services	\$ 412,634	\$ 361,226	\$ 1,728,515	\$ 1,663,412	\$ 2,141,149	\$ 2,024,638
Operating grants	783,231	743,883	-	-	783,231	743,883
Capital grants	1,708,724	-	837,771	-	2,546,495	-
General revenues:						-
Property taxes	1,476,414	1,568,495	-	-	1,476,414	1,568,495
Community stabilization	731,729	321,314	-	-	731,729	321,314
State shared revenue	512,531	509,795	-	-	512,531	509,795
Franchise fees	47,571	49,242	-	-	47,571	49,242
Investment earnings	111,338	6,255	71,785	3,605	183,123	9,860
Other	-	-	-	-	-	-
Insurance recoveries	151,853	32,805	-	55,810	151,853	88,615
Gain (loss) on sale of assets	72,427	2,850	(4,814)	-	67,613	2,850
Total revenues	<u>6,008,452</u>	<u>3,595,865</u>	<u>2,633,257</u>	<u>1,722,827</u>	<u>8,641,709</u>	<u>5,318,692</u>
Expenses:						
General government	567,972	618,074	-	-	567,972	618,074
Public safety	1,477,441	1,332,000	-	-	1,477,441	1,332,000
Public works	1,308,195	1,061,472	-	-	1,308,195	1,061,472
Health and welfare	9,757	9,170	-	-	9,757	9,170
Community and economic development	54,029	31,571	-	-	54,029	31,571
Recreation and culture	142,352	143,186	-	-	142,352	143,186
Sewer	-	-	1,086,294	876,933	1,086,294	876,933
Water	-	-	540,556	438,174	540,556	438,174
Total expenses	<u>3,559,746</u>	<u>3,195,473</u>	<u>1,626,850</u>	<u>1,315,107</u>	<u>5,186,596</u>	<u>4,510,580</u>
Changes in net position	<u>\$ 2,448,706</u>	<u>\$ 400,392</u>	<u>\$ 1,006,407</u>	<u>\$ 407,720</u>	<u>\$ 3,455,113</u>	<u>\$ 808,112</u>
Net position, end of year	<u>\$12,184,032</u>	<u>\$ 9,735,326</u>	<u>\$ 9,177,593</u>	<u>\$ 8,171,186</u>	<u>\$21,361,625</u>	<u>\$17,906,512</u>

Financial analysis of the City's funds

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

General Fund

The General Fund is the primary operating fund of the City. At the end of the fiscal year, total fund balance increased by \$450,466 to \$1,127,380. The ending fund balance represents 54 percent of current year expenditures and transfers out.

The City amended its expenditure budget, increasing appropriations by \$190,550, most of which was necessary to take over services to the downtown district as the Downtown Development Authority discontinued operations. Total expenditures were \$120,409 less than the final amounts appropriated. The most significant expenditure variance occurred in the public works function where expenditures were \$54,558 less than appropriated. No single item accounts for the variance.

The General Fund subsidized the Public Safety Fund through a transfer out of \$860,000 which represents 41 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 \$124,780. Fund balance at the end of the fiscal year grew to \$1,144,100. 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 transfers in of \$343,096, were more than expenditures of \$139,286. Fund balance increased by \$203,810 to \$405,508 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 \$1,389,315 while transfers out to capital project funds were \$66,370, bringing the total of expenditures plus other uses to \$1,455,685. Tax revenue generated \$194,944, or 13 percent of total uses of funds. The \$860,000 transfer in, from the General Fund, provided 59 percent of the total uses of funds. The fund ended the year with a fund balance of \$233,238 which represents 17 percent of operating costs.

Street and Bridge Fund

Allegan County voters approved a road maintenance millage to be collected as part of property taxes to help maintain and improve roads within the County. Because the County does not maintain any roads within the City, the County provides a portion of these monies to the City for capital improvement projects or road maintenance, in accordance with Michigan Compiled Laws 224.20b. Revenues exceeded expenditures and transfers to the street funds (\$80,000), which caused fund balance to increase by \$80,747. The restricted fund balance amounts to \$390,536.

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 \$38,925, were \$356,770; however, revenues amounted to \$312,549, which resulted in a decrease in fund balance of \$44,221.

Governmental Capital Projects Fund

This 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 \$53,590, based on projected depreciation of applicable capital assets. These transfers in, plus interest of \$8,248, funded capital outlay expenditures of \$41,389 and increased fund balance by \$20,449 to \$343,601.

Equipment Replacement Fund

This capital project fund accumulates resources over time in order to purchase vehicles and equipment exceeding the \$5,000 capitalization threshold. This fund received transfers in of \$87,600 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 transfers in, plus interest revenue of \$8,855 and intergovernmental revenues of \$10,855, less capital outlay expenditures of \$76,830 resulted in an ending fund balance of \$294,281.

Special Assessment Capital Project Fund

The fund generated revenues of \$21,978 and incurred expenditures of \$1,550 which caused fund balance to increase by \$20,428. Fund balance available for future capital improvement projects totals \$448,241.

Sewer Fund

Despite a usage decrease of 1.3 percent, an overall rate increase of 3.1 percent resulted in an increase in charges for services of \$36,560 from the prior year. Operating expenses increased by \$210,736, due to increased costs in several areas. Some of the larger increases occurred in treatment chemicals, repair and maintenance costs from outside contractors and the hiring of an on-site inspector during a capital improvement project. Operating income of \$44,783, and together with net nonoperating revenues of \$3,739 and capital contributions of \$715,062, increased net position by \$763,584 for the fiscal year. Total net position was \$5,941,677 at year end, of which \$1,794,350 was unrestricted. Unrestricted net position represents 169 percent of operating expenses and is accumulated to offset future capital improvement or maintenance projects. The balance of long-term debt amounts to \$1,054,999 at year-end. User fees provide debt repayment funding while still supporting operating costs.

Water Fund

Usage remained nearly unchanged from the previous year, showing only a .6 percent increase. The stable usage, plus an overall rate increase of .6 percent, resulted in a modest increase to charges for services of \$24,367 from the prior year. Operating expenses increased by \$102,382 primarily due increased maintenance costs. Operating income amounted to \$84,288 and, together with nonoperating revenues of \$35,826 and capital contributions of \$122,709, increased net position by \$242,823 for the fiscal year. Total net position was \$3,235,916 at year end, of which \$1,332,304 was unrestricted. Unrestricted net position represents 246 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 \$141,532 in the current year, as interfund charges exceeded operating expenses by \$56,321 and the fund recognized nonoperating revenues of \$85,211. Net position is comprised of an investment in capital assets of \$548,023, and unrestricted net position of \$484,827, totaling \$1,032,850 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, 2023, amounts to \$14,171,685 (net of accumulated depreciation). This investment includes a broad range of assets. Overall, there was a \$2,570,916 net increase in the City's net investment in capital assets in the current fiscal year, comprised of \$3,461,648 in additions, \$795,149 in current depreciation, and \$95,583 in dispositions.

Capital acquisitions during the year included:

- \$32,800 for repairs to wastewater treatment plant
- \$777,691 for addition to the wastewater collection system
- \$146,480 to finish construction of a new water well
- \$328,758 of water system improvements
- \$256,699 in new Motor Pool Equipment
- \$88,015 for street improvement projects
- \$54,733 for parking lot improvements
- \$78,349 for improvements and repairs to city hall
- \$13,678 for improvements to the police department
- \$55,120 for a new police vehicle

Capital acquisitions also resulted from the dissolution of the Downtown Development Authority component unit. The following assets were DDA projects and subsequently held as assets of the component unit. Below is a summary list of assets transferred to the City at their year-end net book value.

- \$226,403 for land
- \$42,814 for parking lot improvements
- \$948,144 for Department of Public Works facilities
- \$287,445 for a park pavilion
- \$87,020 for miscellaneous land improvements in the downtown area
- \$30,965 for police department building improvements

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 \$1,054,999, 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. Moody's Investors Services upgraded the City's rating from A2 to Aa3 in January of 2023. 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 \$14,535,740 based upon 2023 property value assessments.

Other long-term debt obligations, totaling \$45,184, represent accrued compensated absences. Additional information is presented in Note 6 of the notes to the basic financial statements.

Economic factors and the 2023-24 budget and rates

The City anticipated economic and community growth while preparing the 2023-24 annual appropriations bill. While the City continues to experience the side effects of the Covid-19 Pandemic that emerged in the previous fiscal year, namely inflation, restricted supply chains and a shrinking talent pool, the City received renewed interest in the redevelopment of a previously abandoned industrial sites and the central business district. Inflation remains the largest challenge to the City, as it may require the City to increase its long-term debt in order to replace aged and undersized infrastructure necessary for the redevelopment of an old industrial site. Therefore, the City will continue 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 dissolved its component unit, the Otsego Downtown Development Authority (DDA) as of June 30, 2023. All funds of the DDA were exhausted completing a few maintenance projects within the district, and assets of the DDA transferred to the City. Funding for the DDA for the last few years had been coming from the City's total share of the Local Community Stabilization Authority (LCSA) funds, as the tax increment finance district capture had become negative. This means that the City will now receive approximately \$260,000 more in LCSA funding for its governmental fund appropriations.

Property values continue to increase in the community. Commercial, industrial, and residential property values increased an average of 2.9, 2.6 and 11.5 percent, respectively. The Consumer Price Index used by the State was 7.9 percent, which will result in the taxable value increases being limited to 5 percent for non-transferred properties. Because taxable values are not increasing faster than the rate of inflation, there will not be a millage rollback by the Headlee Amendment to the state constitution. General Fund property tax revenue projections increased by 6 percent while estimates for State Shared Revenues increased by 20 percent. The City's General Fund projected revenues budgeted an overall increase of 8.1 percent over the previous year.

Total General Fund appropriations increased 11.5 percent, resulting in a projected decrease in fund balance of \$39,740. One half of the reduction in transfers to the Public Safety Fund were restored from the previous fiscal year, which are about \$50,000. This was necessary to maintain an adequate Public Safety Fund fund balance at year end. The City strives to maintain fund balances of 25 to 30 percent of operating costs to assure the City will have monies available to maintain services. The current budget projects fund balances of 38 percent for the General Fund and 17 percent for the Public Safety Fund.

The Major and Local Street Funds both budgeted increases of 5.9 percent for Act 51 Revenues (gas and weight taxes collected by the State). Each fund continued to maintain services and include capital preservation projects. The Major Street Fund budgeted \$690,565 for the rehabilitation of Dix and Washington Streets and the Local Street Fund budgeted \$54,000 for street surface preservation (slurry-seal).

The Solid Waste and Recycling Fund continues to be in a strong financial position with a fund balance equivalent to 83 percent of operating costs. Property taxes continue to fund 58 percent of operations, while reimbursements from Allegan County of Recycle Surcharge collections continues to fund about 8 percent of operations. 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.

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 endeavors 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.

Plans to assist in the redevelopment of the former Rock-Tenn Paper Mill site are being considered for the next annual appropriations bill. Allegan County has cleared the site and is working with a developer to construct middle income housing of up to 470 units along the Kalamazoo River. Most of the water and sewer infrastructure to the site is undersized and very old or non-existent. Initial projections call for water main improvements of \$1.5 million and sewer improvements of about \$500,000. One of the access streets, Helen Avenue, is in extremely poor condition, requiring total replacement that is projected to approach \$2 million. These amounts will likely exceed water fund and street fund reserves and may require the City to issue debt to fund the projects. Administration plans to bid the project in January 2024, and determine financing needs shortly thereafter.

Contacting the City's financial management

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

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

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2023

	Primary government			Component unit
	Governmental activities	Business-type activities	Totals	Downtown Development Authority
ASSETS				
Current assets:				
Cash	\$ 2,373,044	\$ 1,295,086	\$ 3,668,130	\$ -
Investments	2,440,002	1,602,026	4,042,028	-
Receivables	338,433	670,895	1,009,328	-
Prepaid expenses	86,977	16,081	103,058	-
Inventories	16,745	33,198	49,943	-
Internal balances	1,244	(1,244)	-	-
Total current assets	5,256,445	3,616,042	8,872,487	-
Noncurrent assets:				
Receivables	13,352	-	13,352	-
Capital assets not being depreciated	1,128,112	254,373	1,382,485	-
Capital assets, net of accumulated depreciation	5,937,635	6,851,565	12,789,200	-
Total noncurrent assets	7,079,099	7,105,938	14,185,037	-
Total assets	12,335,544	10,721,980	23,057,524	-
LIABILITIES				
Current liabilities:				
Accounts payable	58,302	465,245	523,547	-
Accrued payroll liabilities	57,790	7,785	65,575	-
Accrued interest payable	-	6,594	6,594	-
Bonds payable - due within one year	-	60,000	60,000	-
Total current liabilities	116,092	539,624	655,716	-
Noncurrent liabilities:				
Compensated absences	35,420	9,764	45,184	-
Bonds payable - due in more than one year	-	994,999	994,999	-
Total noncurrent liabilities	35,420	1,004,763	1,040,183	-
Total liabilities	151,512	1,544,387	1,695,899	-
NET POSITION				
Net investment in capital assets	7,065,747	6,050,939	13,116,686	-
Restricted for:				
Public safety	1,415	-	1,415	-
Public works	2,202,986	-	2,202,986	-
Unrestricted	2,913,884	3,126,654	6,040,538	-
Total net position	\$ 12,184,032	\$ 9,177,593	\$ 21,361,625	\$ -

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended June 30, 2023

					Net (expenses) revenues and changes in net position		
	Program revenues				Primary government		Component unit
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals
Functions/Programs							
Primary government							
Governmental activities:							
General government	\$ 567,972	\$ 110,625	\$ -	\$ 53,518	\$ (403,829)		\$ (403,829)
Public safety	1,477,441	256,377	9,644	75,494	(1,135,926)		(1,135,926)
Public works	1,308,195	43,310	772,337	1,106,802	614,254		614,254
Health and welfare	9,757	-	-	-	(9,757)		(9,757)
Community and economic development	54,029	502	-	-	(53,527)		(53,527)
Recreation and culture	142,352	1,820	1,250	472,910	333,628		333,628
Total governmental activities	3,559,746	412,634	783,231	1,708,724	(655,157)		(655,157)
Business-type activities:							
Sewer	1,086,294	1,103,671	-	715,062		\$ 732,439	\$ 732,439
Water	540,556	624,844	-	122,709		206,997	206,997
Total business-type activities	1,626,850	1,728,515	-	837,771		939,436	939,436
Total primary government	\$ 5,186,596	\$ 2,141,149	\$ 783,231	\$ 2,546,495	(655,157)	939,436	284,279
Component unit - Downtown Development Authority	\$ 2,011,472	\$ 68,527	\$ 22,004	\$ -			\$ (1,920,941)
General revenues:							
Property taxes					1,476,414	-	1,476,414
Local community stabilization revenue					731,729	-	731,729
State shared revenue					512,531	-	512,531
Franchise fees					47,571	-	47,571
Interest income					111,338	71,785	183,123
Insurance recoveries					151,853	-	151,853
Gain (loss) on sales of capital assets					72,427	(4,814)	67,613
Total general revenues, insurance recoveries, and gain on sales of capital assets					3,103,863	66,971	3,170,834
Changes in net position					2,448,706	1,006,407	3,455,113
Net position - beginning					9,735,326	8,171,186	17,906,512
Net position - ending					\$ 12,184,032	\$ 9,177,593	\$ 21,361,625
							\$ -

See notes to financial statements

BALANCE SHEET - governmental funds

June 30, 2023

	<i>Special revenue</i>					<i>Total</i>
	<i>General</i>	<i>Major Street</i>	<i>Local Street</i>	<i>Public Safety</i>	<i>Nonmajor funds</i>	<i>governmental funds</i>
ASSETS						
Cash	\$ 917,152	\$ 515,811	\$ 164,314	\$ 71,120	\$ 495,127	\$ 2,163,524
Investments	124,766	552,392	215,088	59,751	1,249,738	2,201,735
Receivables	99,973	76,520	25,112	124,114	20,936	346,655
Due from other funds	948	-	-	-	-	948
Prepays	21,548	1,523	1,524	41,443	2,057	68,095
Total assets	<u>\$ 1,164,387</u>	<u>\$ 1,146,246</u>	<u>\$ 406,038</u>	<u>\$ 296,428</u>	<u>\$ 1,767,858</u>	<u>\$ 4,780,957</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Payables	\$ 10,590	\$ 94	\$ 94	\$ 19,253	\$ 8,598	\$ 38,629
Accrued payroll liabilities	11,480	2,052	436	42,098	1,354	57,420
Due to other funds	-	-	-	1,839	-	1,839
Due to other governmental units	14,937	-	-	-	-	14,937
Total liabilities	<u>37,007</u>	<u>2,146</u>	<u>530</u>	<u>63,190</u>	<u>9,952</u>	<u>112,825</u>
Deferred inflows of resources - unavailable special assessment revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,405</u>	<u>18,405</u>
Fund balances:						
Nonspendable - prepaids	21,548	1,523	1,524	41,443	2,057	68,095
Restricted for:						
Public safety	-	-	-	1,415	-	1,415
Public works	-	1,142,577	403,984	-	651,321	2,197,882
Committed for:						
Public safety	-	-	-	190,380	-	190,380
Public works	-	-	-	-	448,241	448,241
Capital outlay	-	-	-	-	637,882	637,882
Unassigned	1,105,832	-	-	-	-	1,105,832
Total fund balances	<u>1,127,380</u>	<u>1,144,100</u>	<u>405,508</u>	<u>233,238</u>	<u>1,739,501</u>	<u>4,649,727</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,164,387</u>	<u>\$ 1,146,246</u>	<u>\$ 406,038</u>	<u>\$ 296,428</u>	<u>\$ 1,767,858</u>	<u>\$ 4,780,957</u>
Reconciliation of the balance sheet to the statement of net position:						
Total fund balance - total governmental funds						\$ 4,649,727
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.						6,517,724
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows in the funds.						18,405
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.						(34,674)
The assets and liabilities of the internal service fund are included in <i>governmental activities</i> in the statement of net position.						1,032,850
Net position of <i>governmental activities</i>						<u>\$ 12,184,032</u>

See notes to financial statements

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

Year ended June 30, 2023

		<i>Special revenue</i>				<i>Total</i>
	<i>General</i>	<i>Major Street</i>	<i>Local Street</i>	<i>Public Safety</i>	<i>Nonmajor funds</i>	<i>governmental funds</i>
REVENUES						
Property taxes	\$ 1,243,213	\$ -	\$ -	\$ 194,944	\$ 88,861	\$ 1,527,018
Licenses and permits	50,434	-	-	-	-	50,434
Federal grants	-	-	-	2,223	-	2,223
State grants	1,037,032	453,697	155,925	48,206	163,666	1,858,526
Intergovernmental	-	-	-	215,224	162,714	377,938
Charges for services	15,646	-	-	30,662	50,329	96,637
Fines and forfeitures	-	-	-	2,812	-	2,812
Interest and rentals	12,749	22,013	6,660	8,247	52,015	101,684
Other	45,084	475	511	12,679	5,647	64,396
Total revenues	<u>2,404,158</u>	<u>476,185</u>	<u>163,096</u>	<u>514,997</u>	<u>523,232</u>	<u>4,081,668</u>
EXPENDITURES						
Current:						
General government	532,980	-	-	-	-	532,980
Public safety	-	-	-	1,389,315	-	1,389,315
Public works	467,467	163,391	139,286	-	319,395	1,089,539
Health and welfare	9,757	-	-	-	-	9,757
Community and economic development	54,029	-	-	-	-	54,029
Recreation and culture	139,518	-	-	-	-	139,518
Capital outlay	-	88,014	-	-	118,219	206,233
Total expenditures	<u>1,203,751</u>	<u>251,405</u>	<u>139,286</u>	<u>1,389,315</u>	<u>437,614</u>	<u>3,421,371</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,200,407</u>	<u>224,780</u>	<u>23,810</u>	<u>(874,318)</u>	<u>85,618</u>	<u>660,297</u>
OTHER FINANCING SOURCES (USES)						
Insurance recoveries	145,954	-	-	5,899	-	151,853
Transfers in	-	-	180,000	860,000	141,190	1,181,190
Transfers out	(895,895)	(100,000)	-	(66,370)	(118,925)	(1,181,190)
Net other financing sources (uses)	<u>(749,941)</u>	<u>(100,000)</u>	<u>180,000</u>	<u>799,529</u>	<u>22,265</u>	<u>151,853</u>
NET CHANGES IN FUND BALANCES	<u>450,466</u>	<u>124,780</u>	<u>203,810</u>	<u>(74,789)</u>	<u>107,883</u>	<u>812,150</u>
FUND BALANCES - BEGINNING	<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>
FUND BALANCES - ENDING	<u>\$ 1,127,380</u>	<u>\$ 1,144,100</u>	<u>\$ 405,508</u>	<u>\$ 233,238</u>	<u>\$ 1,739,501</u>	<u>\$ 4,649,727</u>

See notes to financial statements

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

governmental funds (Continued)

Year ended June 30, 2023

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) \$ 812,150

Amounts reported for *governmental activities* in the statement of activities
(page 15) are different because:

Capital assets:

Assets contributed by Downtown Development Authority	1,695,646
Asset acquisitions	195,379
Provision for depreciation	(388,935)
Basis of assets disposed	(2,670)

Deferred inflows of resources - net decrease in unavailable special assessments (3,256)

Changes in other assets/liabilities - net increase in compensated absences (1,140)

The net revenues of the internal service fund are reported with governmental activities. 141,532

Change in net position of *governmental activities* \$ 2,448,706

STATEMENT OF NET POSITION - *proprietary funds*

June 30, 2023

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
ASSETS				
Current assets:				
Cash	\$ 837,016	\$ 458,070	\$ 1,295,086	\$ 209,520
Investments	844,871	757,155	1,602,026	238,267
Receivables	329,135	158,169	487,304	1,130
Due from other governmental units	135,204	48,387	183,591	4,000
Due from other funds	-	-	-	2,135
Inventories	3,391	29,807	33,198	16,745
Prepays	11,649	4,432	16,081	18,882
Total current assets	<u>2,161,266</u>	<u>1,456,020</u>	<u>3,617,286</u>	<u>490,679</u>
Noncurrent assets:				
Land	23,052	-	23,052	-
Construction in progress	-	231,321	231,321	-
Capital assets, net of accumulated depreciation:				
Sewer system	5,179,274	-	5,179,274	-
Water system	-	1,672,291	1,672,291	-
Buildings and equipment	-	-	-	548,023
Total noncurrent assets	<u>5,202,326</u>	<u>1,903,612</u>	<u>7,105,938</u>	<u>548,023</u>
Total assets	<u>7,363,592</u>	<u>3,359,632</u>	<u>10,723,224</u>	<u>1,038,702</u>
LIABILITIES				
Current liabilities:				
Accounts payable	348,808	116,437	465,245	4,736
Accrued payroll liabilities	4,470	3,315	7,785	370
Accrued interest payable	6,594	-	6,594	-
Due to other funds	681	563	1,244	-
Bonds payable - due within one year	60,000	-	60,000	-
Total current liabilities	<u>420,553</u>	<u>120,315</u>	<u>540,868</u>	<u>5,106</u>
Noncurrent liabilities:				
Compensated absences	6,363	3,401	9,764	746
Bonds payable - due in more than one year	994,999	-	994,999	-
Total noncurrent liabilities	<u>1,001,362</u>	<u>3,401</u>	<u>1,004,763</u>	<u>746</u>
Total liabilities	<u>1,421,915</u>	<u>123,716</u>	<u>1,545,631</u>	<u>5,852</u>
NET POSITION				
Net investment in capital assets	4,147,327	1,903,612	6,050,939	548,023
Unrestricted	1,794,350	1,332,304	3,126,654	484,827
Total net position	<u>\$ 5,941,677</u>	<u>\$ 3,235,916</u>	<u>\$ 9,177,593</u>	<u>\$ 1,032,850</u>

See notes to financial statements

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

Year ended June 30, 2023

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
OPERATING REVENUES				
Charges for services	\$ 1,079,922	\$ 607,596	\$ 1,687,518	\$ 252,357
Other	23,749	17,248	40,997	34,643
Total operating revenues	1,103,671	624,844	1,728,515	287,000
OPERATING EXPENSES				
Mains	278,406	239,727	518,133	-
Wastewater treatment plant	464,332	-	464,332	-
Water pumping	-	169,364	169,364	-
Administration	61,887	62,209	124,096	-
Equipment pool operations	-	-	-	147,984
Depreciation	254,263	69,256	323,519	82,695
Total operating expenses	1,058,888	540,556	1,599,444	230,679
OPERATING INCOME (LOSS)	44,783	84,288	129,071	56,321
NONOPERATING REVENUES (EXPENSES)				
Gain (loss) on disposal of capital assets	(4,814)	-	(4,814)	75,097
Interest income	35,959	35,826	71,785	10,114
Debt service	(27,406)	-	(27,406)	-
Total nonoperating revenues (expenses)	3,739	35,826	39,565	85,211
CAPITAL CONTRIBUTIONS				
Federal grants	419,725	-	419,725	-
County contribution	295,337	122,709	418,046	-
Total capital contributions	715,062	122,709	837,771	-
CHANGES IN NET POSITION	763,584	242,823	1,006,407	141,532
NET POSITION - BEGINNING	5,178,093	2,993,093	8,171,186	891,318
NET POSITION - ENDING	\$ 5,941,677	\$ 3,235,916	\$ 9,177,593	\$ 1,032,850

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended June 30, 2023

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,121,137	\$ 601,583	\$ 1,722,720	\$ 34,549
Receipts from interfund services provided	-	-	-	252,357
Payments to suppliers	(547,311)	(299,468)	(846,779)	(126,226)
Payments to employees	(250,292)	(142,002)	(392,294)	(28,618)
Payments for interfund services	(18,913)	(29,003)	(47,916)	-
Net cash provided by (used in) operating activities	304,621	131,110	435,731	132,062
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
(Increase) decrease in due from other funds	-	3,237	3,237	830
Increase (decrease) in due to other funds	454	466	920	(16,907)
Net cash provided by (used in) noncapital financing activities	454	3,703	4,157	(16,077)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants	160,134	74,322	234,456	-
Proceeds from sales of capital assets	-	-	-	114,000
Acquisition of capital assets	(469,259)	(345,141)	(814,400)	(256,699)
Principal payment on capital debt	(55,000)	-	(55,000)	-
Interest payments on capital debt	(27,749)	-	(27,749)	-
Net cash provided by (used in) capital and related financing activities	(391,874)	(270,819)	(662,693)	(142,699)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	-	91	91	269
Bank service charges	(1,748)	-	(1,748)	-
Sale of investments	562,508	355,813	918,321	20,000
Purchase of investments	(873,465)	(208,123)	(1,081,588)	(100,000)
Net cash provided by (used in) investing activities	(312,705)	147,781	(164,924)	(79,731)
NET CHANGE IN CASH	(399,504)	11,775	(387,729)	(106,445)
CASH - BEGINNING	1,236,520	446,295	1,682,815	315,965
CASH - ENDING	\$ 837,016	\$ 458,070	\$ 1,295,086	\$ 209,520

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended June 30, 2023

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 44,783	\$ 84,288	\$ 129,071	\$ 56,321
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	254,263	69,256	323,519	82,695
(Increase) decrease in:				
Receivables	17,466	(23,261)	(5,795)	(94)
Inventories	(495)	(333)	(828)	7,232
Prepaid expenses	(3,538)	(1,181)	(4,719)	(10,118)
Increase (decrease) in:				
Accounts payable	(8,939)	383	(8,556)	(4,050)
Accrued payroll liabilities	697	1,642	2,339	875
Compensated absences	384	316	700	(799)
Net cash provided by (used in) operating activities	<u>\$ 304,621</u>	<u>\$ 131,110</u>	<u>\$ 435,731</u>	<u>\$ 132,062</u>
Noncash capital and related financing activities:				
Acquisition of capital assets	\$ 810,491	\$ 458,238	\$ 1,268,729	\$ 256,699
Less increase in payables	<u>(341,232)</u>	<u>(113,097)</u>	<u>(454,329)</u>	<u>-</u>
Net cash used	<u>\$ 469,259</u>	<u>\$ 345,141</u>	<u>\$ 814,400</u>	<u>\$ 256,699</u>

See notes to financial statements

STATEMENT OF FIDUCIARY NET POSITION - *Custodial funds**June 30, 2023*

	<i>General Custodial</i>	<i>Tax Collection</i>
ASSETS		
Cash	\$ 13,835	\$ -
LIABILITIES		
Payables - performance deposit	13,835	-
NET POSITION		
Restricted for individuals and other governments	\$ -	\$ -

See notes to financial statements

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - Custodial funds

Year ended June 30, 2023

	<u><i>General Custodial</i></u>	<u><i>Tax Collection</i></u>
ADDITIONS		
Property taxes collections for other governments	\$ -	\$ 3,546,371
DEDUCTIONS		
Payments of property taxes to other governments	<u>-</u>	<u>3,546,371</u>
CHANGE IN FIDUCIARY NET POSITION	-	-
NET POSITION - BEGINNING	<u>-</u>	<u>-</u>
NET POSITION - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting entity:

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

Otsego Downtown Development Authority:

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

Government-wide and fund financial statements:

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Measurement focus, basis of accounting, and financial statement presentation (continued):*

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund type:

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

The City also reports custodial funds, which account for assets held by the City in a fiduciary capacity for other governments and individuals. The City currently reports two custodial funds (Tax Collection and the General Custodial funds).

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

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.

Excess of expenditures over appropriations - The following schedule sets forth the reportable budget variances:

<i>Fund</i>	<i>Function</i>	<i>Activity</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>
General	General government	Building and grounds	\$ 49,235	\$ 52,507	\$ 3,272
	Health and welfare	Ambulance	9,500	9,757	257
Public Safety	Public safety	Police	950,900	958,627	7,727
Solid Waste	Public works	Solid waste	317,360	317,845	485

Budget deficit - The DDA budgeted for a deficit, which is a violation of Public Act No. 2 of 1968.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments, as of June 30, 2023, are classified in the accompanying financial statements as follows:

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Fiduciary activities</i>	<i>Total primary government</i>	<i>Discretely presented component unit</i>	<i>Totals</i>
Cash	\$ 2,373,044	\$ 1,295,086	\$ 13,835	\$ 3,681,965	\$ -	\$ 3,681,965
Investments	2,440,002	1,602,026	-	4,042,028	-	4,042,028
Totals	<u>\$ 4,813,046</u>	<u>\$ 2,897,112</u>	<u>\$ 13,835</u>	<u>\$ 7,723,993</u>	<u>\$ -</u>	<u>\$ 7,723,993</u>

Cash and investments, as of June 30, 2023, consist of the following:

Cash on hand	\$ 919
Deposits with financial institutions	3,681,046
Investments	<u>4,042,028</u>
Total	<u>\$ 7,723,993</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.

NOTE 3 - CASH AND INVESTMENTS (Continued)

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, 2023, \$2,904,930 of the City's bank balances of \$3,759,497 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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, 2023, the fair value, unfunded commitments, and redemption rules of these investments are as follows:

	<u>Michigan CLASS</u>
Fair value at June 30, 2023	\$ 4,042,028
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, 2023, for the City's individual major funds, nonmajor funds, in the aggregate, were as follows:

<i>Funds</i>	<i>Accounts</i>	<i>Interest</i>	<i>Special assess- ments</i>	<i>Inter- govern- mental</i>	<i>Totals</i>
Governmental:					
General	\$ 13,021	\$ 5,292	\$ -	\$ 81,660	\$ 99,973
Major Street	1,434	566	-	74,520	76,520
Local Street	596	-	-	24,516	25,112
Public Safety	12,285	-	-	111,829	124,114
Nonmajor	<u>789</u>	<u>1,742</u>	<u>18,405</u>	<u>-</u>	<u>20,936</u>
Total governmental	<u>\$ 28,125</u>	<u>\$ 7,600</u>	<u>\$ 18,405</u>	<u>\$ 292,525</u>	<u>\$ 346,655</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,352</u>	<u>\$ -</u>	<u>\$ 13,352</u>
Proprietary:					
Enterprise:					
Sewer	\$ 329,135	\$ -	\$ -	\$ -	\$ 329,135
Water	<u>158,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,169</u>
Total proprietary	<u>\$ 487,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 487,304</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, 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	\$ 98,069	\$ -	\$ 1,001,783
Construction in progress	<u>99,462</u>	<u>26,867</u>	<u>-</u>	<u>126,329</u>
Total capital assets not being depreciated	<u>1,003,176</u>	<u>124,936</u>	<u>-</u>	<u>1,128,112</u>
Capital assets being depreciated:				
Buildings	2,218,219	1,307,943	(16,257)	3,509,905
Improvements	5,494,034	383,816	-	5,877,850
Furniture, fixtures, and equipment	1,078,507	201,217	(162,957)	1,116,767
Vehicles	<u>1,712,940</u>	<u>129,811</u>	<u>(63,818)</u>	<u>1,778,933</u>
Subtotal	<u>10,503,700</u>	<u>2,022,787</u>	<u>(243,032)</u>	<u>12,283,455</u>
Less accumulated depreciation for:				
Buildings	(1,146,384)	(51,272)	-	(1,197,656)
Improvements	(2,965,507)	(266,164)	16,257	(3,215,414)
Furniture, fixtures, and equipment	(729,405)	(67,398)	120,054	(676,749)
Vehicles	<u>(1,230,353)</u>	<u>(86,796)</u>	<u>61,148</u>	<u>(1,256,001)</u>
Subtotal	<u>(6,071,649)</u>	<u>(471,630)</u>	<u>197,459</u>	<u>(6,345,820)</u>
Total capital assets being depreciated, net	<u>4,432,051</u>	<u>1,551,157</u>	<u>(45,573)</u>	<u>5,937,635</u>
Governmental activities capital assets, net	<u>\$ 5,435,227</u>	<u>\$ 1,676,093</u>	<u>\$ (45,573)</u>	<u>\$ 7,065,747</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	123,789	152,728	(45,196)	231,321
Total capital assets not being depreciated	146,841	152,728	(45,196)	254,373
Capital assets being depreciated:				
Sewer system	8,326,978	838,687	(21,078)	9,144,587
Water system	3,044,439	322,510	(114,777)	3,252,172
Subtotal	11,371,417	1,161,197	(135,855)	12,396,759
Less accumulated depreciation for:				
Sewer system	(3,727,314)	(254,263)	16,264	(3,965,313)
Water system	(1,625,402)	(69,256)	114,777	(1,579,881)
Subtotal	(5,352,716)	(323,519)	131,041	(5,545,194)
Total capital assets being depreciated, net	6,018,701	837,678	(4,814)	6,851,565
Business-type activities capital assets, net	<u>\$ 6,165,542</u>	<u>\$ 990,406</u>	<u>\$ (50,010)</u>	<u>\$ 7,105,938</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	2,273,683	123,065	(2,396,748)	-
Equipment	37,130	-	(37,130)	-
Subtotal	2,310,813	123,065	(2,433,878)	-
Less accumulated depreciation for:				
Buildings and improvements	(739,790)	(67,738)	807,528	-
Equipment	(26,916)	(1,857)	28,773	-
Subtotal	(766,706)	(69,595)	836,301	-
Total capital assets being depreciated, net	1,544,107	53,470	(1,597,577)	-
Component unit capital assets, net	<u>\$ 1,642,176</u>	<u>\$ 53,470</u>	<u>\$ (1,695,646)</u>	<u>\$ -</u>

NOTE 5 - CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 32,473
Public safety	79,279
Public works	274,390
Recreation and culture	2,793
Depreciation on capital assets held by internal service fund	<u>82,695</u>
Total governmental activities	<u>\$ 471,630</u>

NOTE 6 - LONG-TERM DEBT

At June 30, 2023, 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>\$ 1,054,999</u>

Long-term debt activity for the year ended June 30, 2023, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Primary government:					
Governmental activities - compensated absences	<u>\$ 34,333</u>	<u>\$ 74,725</u>	<u>\$ (73,638)</u>	<u>\$ 35,420</u>	<u>\$ -</u>
Business-type activities:					
SRF bonds payable	\$ 1,109,999	\$ -	\$ (55,000)	\$ 1,054,999	\$ 60,000
Compensated absences	<u>9,064</u>	<u>23,094</u>	<u>(22,394)</u>	<u>9,764</u>	<u>-</u>
Total business-type activities	<u>\$ 1,119,063</u>	<u>\$ 23,094</u>	<u>\$ (77,394)</u>	<u>\$ 1,064,763</u>	<u>\$ 60,000</u>
Component unit:					
Compensated absences	<u>\$ 1,572</u>	<u>\$ 767</u>	<u>\$ (2,339)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 - LONG-TERM DEBT (Continued)

Debt service requirements at June 30, 2023, excluding compensated absences, were as follows:

<i>Year ended June 30:</i>	<i>Primary government: Business-type activities</i>	
	<i>Principal</i>	<i>Interest</i>
2024	\$ 60,000	\$ 26,375
2025	60,000	24,875
2026	60,000	23,375
2027	65,000	21,875
2028	65,000	20,250
2029-2033	350,000	76,125
2034-2038	<u>394,999</u>	<u>30,250</u>
Total	<u>\$ 1,054,999</u>	<u>\$ 223,125</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:

<i>Fund</i>	<i>Interfund receivables</i>	<i>Fund</i>	<i>Interfund payables</i>
DPW Equipment	\$ <u>2,135</u>	Public Safety	\$ 1,839
		Sewer	207
		Water	<u>89</u>
			<u>2,135</u>
General	<u>948</u>	Sewer	474
		Water	<u>474</u>
			<u>948</u>
Totals	<u>\$ 3,083</u>	Totals	<u>\$ 3,083</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.

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

Interfund transfers occurred during the year ended June 30, 2023, as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Public Safety	\$ 860,000	General	\$ 860,000
Local Street	180,000	Major Street	100,000
		Street and Bridge	80,000
			180,000
Capital Projects	53,590	General	26,870
		Public Safety	17,795
		Solid Waste	8,925
			53,590
Equipment Replacement	87,600	General	9,025
		Public Safety	48,575
		Solid Waste	30,000
			87,600
Totals	\$ 1,181,190	Totals	\$ 1,181,190

- 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 2022 tax year, amounted to \$102,678,428, on which ad valorem taxes levied consisted of 11.1452 mills for operating purposes, 0.8295 mills for solid waste/recycling, and 1.8442 mills for public safety, raising approximately \$1,155,000 for operating purposes, \$86,000 for solid waste/recycling, and \$189,000 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, 2023, the City abated property taxes as follows:

<i>Purpose</i>	<i>State statute</i>	<i>Percentage of taxes abated</i>	<i>City taxes abated</i>
Manufacturer investment in property	PA 198 of 1974	50%	\$ 16,855
Paper mill investment in property	PA 198 of 1974	50%	20,209
Industrial building rehabilitation	PA 198 of 1974	42%	<u>1,756</u>
			<u>\$ 38,820</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, 2023, employee contributions totaled \$45,947, and the City recognized pension expense of \$150,102.

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, 2023, 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 \$317,321 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, 2023, is as follows. At June 30, 2023, there was no cumulative excess of revenues from construction code enforcement activities.

Excess cumulative revenues, beginning of year	<u>\$ -</u>
Fiscal year 2023 activity:	
Revenues	\$ 21,701
Expenses	<u>26,738</u>
Deficiency of revenues over expenses	<u>\$ (5,037)</u>
Excess cumulative revenues, end of year	<u>\$ -</u>

NOTE 14 - RESTRICTED NET POSITION

The government-wide statement of net position reports \$2,204,401 of restricted net position, which is restricted by enabling legislation. Of this amount, \$1,415 is restricted for public safety expenditures and \$2,202,986 is restricted for public works expenditures.

NOTE 15 - ECONOMIC DEPENDENCY

For the fiscal year ended June 30, 2023, the City received approximately 15 percent of its utility revenues from two industrial property owners.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2023

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 1,244,085	\$ 1,244,085	\$ 1,243,213	\$ (872)
Licenses and permits	51,915	51,915	50,434	(1,481)
State grants	705,900	965,400	1,037,032	71,632
Charges for services	19,675	19,675	15,646	(4,029)
Interest and rentals	1,500	1,500	12,749	11,249
Other	1,000	40,692	45,084	4,392
Total revenues	<u>2,024,075</u>	<u>2,323,267</u>	<u>2,404,158</u>	<u>80,891</u>
EXPENDITURES				
General government	585,090	562,305	532,980	29,325
Public works	308,690	522,025	467,467	54,558
Health and welfare	9,500	9,500	9,757	(257)
Community and economic development	76,795	76,795	54,029	22,766
Recreation and culture	153,535	153,535	139,518	14,017
Total expenditures	<u>1,133,610</u>	<u>1,324,160</u>	<u>1,203,751</u>	<u>120,409</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>890,465</u>	<u>999,107</u>	<u>1,200,407</u>	<u>201,300</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	145,954	145,954	-
Transfers out	<u>(895,895)</u>	<u>(895,895)</u>	<u>(895,895)</u>	<u>-</u>
Net other financing sources (uses)	<u>(895,895)</u>	<u>(749,941)</u>	<u>(749,941)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(5,430)</u>	<u>249,166</u>	<u>450,466</u>	<u>201,300</u>
FUND BALANCES - BEGINNING	<u>676,914</u>	<u>676,914</u>	<u>676,914</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 671,484</u>	<u>\$ 926,080</u>	<u>\$ 1,127,380</u>	<u>\$ 201,300</u>

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended June 30, 2023

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 433,300	\$ 443,300	\$ 453,697	\$ 10,397
Interest	2,000	19,000	22,013	3,013
Other	-	-	475	475
Total revenues	<u>435,300</u>	<u>462,300</u>	<u>476,185</u>	<u>13,885</u>
EXPENDITURES				
Public works	210,295	215,720	163,391	52,329
Capital outlay	<u>32,000</u>	<u>102,000</u>	<u>88,014</u>	<u>13,986</u>
Total expenditures	<u>242,295</u>	<u>317,720</u>	<u>251,405</u>	<u>66,315</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	193,005	144,580	224,780	80,200
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	93,005	44,580	124,780	80,200
FUND BALANCES - BEGINNING	<u>1,019,320</u>	<u>1,019,320</u>	<u>1,019,320</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,112,325</u>	<u>\$ 1,063,900</u>	<u>\$ 1,144,100</u>	<u>\$ 80,200</u>

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended June 30, 2023

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 152,020	\$ 153,480	\$ 155,925	\$ 2,445
Interest	1,000	5,800	6,660	860
Other	-	-	511	511
Total revenues	<u>153,020</u>	<u>159,280</u>	<u>163,096</u>	<u>3,816</u>
EXPENDITURES				
Public works	172,400	183,800	139,286	44,514
Capital outlay	<u>639,000</u>	<u>639,000</u>	-	<u>639,000</u>
Total expenditures	<u>811,400</u>	<u>822,800</u>	<u>139,286</u>	<u>683,514</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(658,380)	(663,520)	23,810	687,330
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>530,000</u>	<u>530,000</u>	<u>180,000</u>	<u>(350,000)</u>
NET CHANGES IN FUND BALANCES	(128,380)	(133,520)	203,810	337,330
FUND BALANCES - BEGINNING	<u>201,698</u>	<u>201,698</u>	<u>201,698</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 73,318</u>	<u>\$ 68,178</u>	<u>\$ 405,508</u>	<u>\$ 337,330</u>

BUDGETARY COMPARISON SCHEDULE - Public Safety Fund

Year ended June 30, 2023

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 195,135	\$ 195,135	\$ 194,944	\$ (191)
Federal grants	-	-	2,223	
State grants	48,745	48,745	48,206	(539)
Intergovernmental	190,000	190,000	215,224	25,224
Charges for services	56,600	56,600	30,662	(25,938)
Fines and forfeitures	10,000	10,000	2,812	(7,188)
Interest and rentals	500	8,000	8,247	247
Other	-	45,000	12,679	(32,321)
Total revenues	<u>500,980</u>	<u>553,480</u>	<u>514,997</u>	<u>(40,706)</u>
EXPENDITURES				
Public safety:				
Police Department	946,900	950,900	958,627	(7,727)
Fire Department	408,520	418,520	403,950	14,570
Building inspections	<u>36,905</u>	<u>36,905</u>	<u>26,738</u>	<u>10,167</u>
Total expenditures	<u>1,392,325</u>	<u>1,406,325</u>	<u>1,389,315</u>	<u>17,010</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(891,345)</u>	<u>(852,845)</u>	<u>(874,318)</u>	<u>(23,696)</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	5,899	5,899
Transfers in	860,000	860,000	860,000	-
Transfers out	<u>(66,370)</u>	<u>(66,370)</u>	<u>(66,370)</u>	<u>-</u>
Net other financing sources (uses)	<u>793,630</u>	<u>793,630</u>	<u>799,529</u>	<u>5,899</u>
NET CHANGES IN FUND BALANCES	<u>(97,715)</u>	<u>(59,215)</u>	<u>(74,789)</u>	<u>(17,797)</u>
FUND BALANCES - BEGINNING	<u>308,027</u>	<u>308,027</u>	<u>308,027</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 210,312</u>	<u>\$ 248,812</u>	<u>\$ 233,238</u>	<u>\$ (17,797)</u>

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - nonmajor governmental funds

June 30, 2023

	<i>Special revenue</i>		<i>Capital projects</i>			
	<i>Street and Bridge</i>	<i>Solid Waste</i>	<i>Capital Projects</i>	<i>Equipment Replacement</i>	<i>Special Assessment</i>	<i>Totals</i>
ASSETS						
Cash	\$ 143,686	\$ 106,584	\$ 175,657	\$ 53,564	\$ 15,636	\$ 495,127
Investments	246,850	161,814	166,202	240,717	434,155	1,249,738
Receivables	-	789	1,742	-	18,405	20,936
Prepays	-	2,057	-	-	-	2,057
Total assets	<u>\$ 390,536</u>	<u>\$ 271,244</u>	<u>\$ 343,601</u>	<u>\$ 294,281</u>	<u>\$ 468,196</u>	<u>\$ 1,767,858</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 7,048	\$ -	\$ -	\$ 1,550	\$ 8,598
Accrued payroll liabilities	-	1,354	-	-	-	1,354
Total liabilities	<u>-</u>	<u>8,402</u>	<u>-</u>	<u>-</u>	<u>1,550</u>	<u>9,952</u>
Deferred inflows of resources - unavailable special assessment revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,405</u>	<u>18,405</u>
Fund balances:						
Nonspendable - prepaids	-	2,057	-	-	-	2,057
Restricted for public works	390,536	260,785	-	-	-	651,321
Committed for:						
Public works	-	-	-	-	448,241	448,241
Capital outlay	-	-	343,601	294,281	-	637,882
Total fund balances	<u>390,536</u>	<u>262,842</u>	<u>343,601</u>	<u>294,281</u>	<u>448,241</u>	<u>1,739,501</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 390,536</u>	<u>\$ 271,244</u>	<u>\$ 343,601</u>	<u>\$ 294,281</u>	<u>\$ 468,196</u>	<u>\$ 1,767,858</u>

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

Year ended June 30, 2023

	<i>Special revenue</i>		<i>Capital projects</i>			
	<i>Street and Bridge</i>	<i>Solid Waste</i>	<i>Capital Projects</i>	<i>Equipment Replacement</i>	<i>Special Assessment</i>	<i>Totals</i>
REVENUES						
Property taxes	\$ -	\$ 88,861	\$ -	\$ -	\$ -	\$ 88,861
State grants	-	163,666	-	-	-	163,666
Intergovernmental	151,859	-	-	10,855	-	162,714
Charges for services	-	50,329	-	-	-	50,329
Interest	8,888	8,852	8,248	8,855	17,172	52,015
Other	-	841	-	-	4,806	5,647
Total revenues	<u>160,747</u>	<u>312,549</u>	<u>8,248</u>	<u>19,710</u>	<u>21,978</u>	<u>523,232</u>
EXPENDITURES						
Current - public works	-	317,845	-	-	1,550	319,395
Capital outlay	-	-	41,389	76,830	-	118,219
Total expenditures	<u>-</u>	<u>317,845</u>	<u>41,389</u>	<u>76,830</u>	<u>1,550</u>	<u>437,614</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>160,747</u>	<u>(5,296)</u>	<u>(33,141)</u>	<u>(57,120)</u>	<u>20,428</u>	<u>85,618</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	53,590	87,600	-	141,190
Transfers out	<u>(80,000)</u>	<u>(38,925)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(118,925)</u>
Net other financing sources (uses)	<u>(80,000)</u>	<u>(38,925)</u>	<u>53,590</u>	<u>87,600</u>	<u>-</u>	<u>22,265</u>
NET CHANGES IN FUND BALANCES	<u>80,747</u>	<u>(44,221)</u>	<u>20,449</u>	<u>30,480</u>	<u>20,428</u>	<u>107,883</u>
FUND BALANCES - BEGINNING	<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>
FUND BALANCES - ENDING	<u>\$ 390,536</u>	<u>\$ 262,842</u>	<u>\$ 343,601</u>	<u>\$ 294,281</u>	<u>\$ 448,241</u>	<u>\$ 1,739,501</u>

BALANCE SHEET - governmental funds

June 30, 2023

	<i>General</i>	<i>Major Street</i>	<i>Local Street</i>	<i>Public Safety</i>	<i>Street and Bridge</i>	<i>Solid Waste</i>	<i>Capital Project</i>	<i>Equipment Replacement Capital Project</i>	<i>Special Assessment Capital Project</i>
ASSETS									
Cash	\$ 917,152	\$ 515,811	\$ 164,314	\$ 71,120	\$ 143,686	\$ 106,584	\$ 175,657	\$ 53,564	\$ 15,636
Investments	124,766	552,392	215,088	59,751	246,850	161,814	166,202	240,717	434,155
Receivables:									
Special assessments	-	-	-	-	-	-	-	-	18,405
Accounts	13,021	880	596	12,285	-	789	-	-	-
Interest	5,292	1,120	-	-	-	-	1,742	-	-
Due from other funds	948	-	-	-	-	-	-	-	-
Due from other governmental units	81,660	74,520	24,516	111,829	-	-	-	-	-
Prepays	21,548	1,523	1,524	41,443	-	2,057	-	-	-
Total assets	<u>\$ 1,164,387</u>	<u>\$ 1,146,246</u>	<u>\$ 406,038</u>	<u>\$ 296,428</u>	<u>\$ 390,536</u>	<u>\$ 271,244</u>	<u>\$ 343,601</u>	<u>\$ 294,281</u>	<u>\$ 468,196</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 10,590	\$ 94	\$ 94	\$ 19,253	\$ -	\$ 7,048	\$ -	\$ -	\$ 1,550
Accrued payroll liabilities	11,480	2,052	436	42,098	-	1,354	-	-	-
Due to other funds	-	-	-	1,839	-	-	-	-	-
Due to other governmental units	14,937	-	-	-	-	-	-	-	-
Total liabilities	<u>37,007</u>	<u>2,146</u>	<u>530</u>	<u>63,190</u>	<u>-</u>	<u>8,402</u>	<u>-</u>	<u>-</u>	<u>1,550</u>
Deferred inflows of resources - unavailable special assessments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,405</u>
Fund balances:									
Nonspendable - prepaids	21,548	1,523	1,524	41,443	-	2,057	-	-	-
Restricted for:									
Public safety	-	-	-	1,415	-	-	-	-	-
Public works	-	1,142,577	403,984	-	390,536	260,785	-	-	-
Committed for:									
Public safety	-	-	-	190,380	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	448,241
Capital outlay	-	-	-	-	-	-	343,601	294,281	-
Unassigned	1,105,832	-	-	-	-	-	-	-	-
Total fund balances	<u>1,127,380</u>	<u>1,144,100</u>	<u>405,508</u>	<u>233,238</u>	<u>390,536</u>	<u>262,842</u>	<u>343,601</u>	<u>294,281</u>	<u>448,241</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,164,387</u>	<u>\$ 1,146,246</u>	<u>\$ 406,038</u>	<u>\$ 296,428</u>	<u>\$ 390,536</u>	<u>\$ 271,244</u>	<u>\$ 343,601</u>	<u>\$ 294,281</u>	<u>\$ 468,196</u>

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2023

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
Property taxes	\$ 1,244,085	\$ 1,243,213	\$ (872)
Licenses and permits	51,915	50,434	(1,481)
State grants	965,400	1,037,032	71,632
Charges for services	19,675	15,646	(4,029)
Interest and rentals	1,500	12,749	11,249
Other	40,692	45,084	4,392
Total revenues	2,323,267	2,404,158	80,891
EXPENDITURES			
General government:			
Legislative	28,310	21,412	6,898
City manager	116,200	114,018	2,182
Elections	36,665	34,003	2,662
Assessor	43,255	32,289	10,966
Clerk	74,505	73,349	1,156
Board of review	1,540	893	647
Treasurer/finance director	212,595	204,509	8,086
Building and grounds	49,235	52,507	(3,272)
Total general government	562,305	532,980	29,325
Public works:			
Cemetery	54,535	37,203	17,332
Department of Public Works	73,330	67,080	6,250
General services	394,160	363,184	30,976
Total public works	522,025	467,467	54,558
Health and welfare - ambulance	9,500	9,757	(257)
Community and economic development:			
Planning Commission	13,550	768	12,782
Economic development	33,245	31,257	1,988
Contribution to DDA	30,000	22,004	7,996
Total community and economic development development	76,795	54,029	22,766

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2023

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
EXPENDITURES (Continued)			
Recreation and culture - parks and recreation	\$ 153,535	\$ 139,518	\$ 14,017
Total expenditures	1,324,160	1,203,751	120,409
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	999,107	1,200,407	201,300
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	145,954	145,954	-
Transfers out	(895,895)	(895,895)	-
Net other financing sources (uses)	(749,941)	(749,941)	-
NET CHANGES IN FUND BALANCES	249,166	450,466	201,300
FUND BALANCES - BEGINNING	676,914	676,914	-
FUND BALANCES - ENDING	\$ 926,080	\$ 1,127,380	\$ 201,300

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended June 30, 2023

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
State grants	\$ 443,300	\$ 453,697	\$ 10,397
Interest	19,000	22,013	3,013
Other	-	475	475
Total revenues	<u>462,300</u>	<u>476,185</u>	<u>13,885</u>
EXPENDITURES			
Public works:			
Surface maintenance	47,935	30,124	17,811
Shoulder maintenance	26,145	23,116	3,029
Trees and shrubs	16,705	10,784	5,921
Drainage	22,345	11,812	10,533
Bridge maintenance	14,260	6,161	8,099
Traffic signs and signals	7,870	7,442	428
Winter maintenance	40,810	37,916	2,894
Administration	15,845	14,010	1,835
State trunk line maintenance	<u>23,805</u>	<u>22,026</u>	<u>1,779</u>
Total public works	215,720	163,391	52,329
Capital outlay	<u>102,000</u>	<u>88,014</u>	<u>13,986</u>
Total expenditures	<u>317,720</u>	<u>251,405</u>	<u>66,315</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	144,580	224,780	80,200
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	44,580	124,780	80,200
FUND BALANCES - BEGINNING	<u>1,019,320</u>	<u>1,019,320</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,063,900</u>	<u>\$ 1,144,100</u>	<u>\$ 80,200</u>

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended June 30, 2023

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
State grants	\$ 153,480	\$ 155,925	\$ 2,445
Interest	5,800	6,660	860
Other	-	511	511
Total revenues	<u>159,280</u>	<u>163,096</u>	<u>3,816</u>
EXPENDITURES			
Public works:			
Surface maintenance	50,275	36,926	13,349
Shoulder maintenance	27,015	19,284	7,731
Trees and shrubs	36,610	35,864	746
Drainage	23,140	10,087	13,053
Traffic signs and signals	4,615	2,039	2,576
Winter maintenance	29,335	24,763	4,572
Administration	<u>12,810</u>	<u>10,323</u>	<u>2,487</u>
Total public works	183,800	139,286	44,514
Capital outlay	<u>639,000</u>	<u>-</u>	<u>639,000</u>
Total expenditures	<u>822,800</u>	<u>139,286</u>	<u>683,514</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(663,520)	23,810	687,330
OTHER FINANCING SOURCES			
Transfers in	<u>530,000</u>	<u>180,000</u>	<u>(350,000)</u>
NET CHANGES IN FUND BALANCES	(133,520)	203,810	337,330
FUND BALANCES - BEGINNING	<u>201,698</u>	<u>201,698</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 68,178</u>	<u>\$ 405,508</u>	<u>\$ 337,330</u>

BUDGETARY COMPARISON SCHEDULE - Public Safety Fund

Year ended June 30, 2023

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
Property taxes	\$ 195,135	\$ 194,944	\$ (191)
Federal grants	-	2,223	2,223
State grants	48,745	48,206	(539)
Intergovernmental	190,000	215,224	25,224
Charges for services	56,600	30,662	(25,938)
Fines and forfeitures	10,000	2,812	(7,188)
Interest and rentals	8,000	8,247	247
Other	45,000	12,679	(32,321)
Total revenues	553,480	514,997	(38,483)
EXPENDITURES			
Public safety:			
Police	950,900	958,627	(7,727)
Fire	418,520	403,950	14,570
Code inspections	36,905	26,738	10,167
Total public safety	1,406,325	1,389,315	17,010
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(852,845)	(874,318)	(21,473)
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	-	5,899	5,899
Transfers in	860,000	860,000	-
Transfers out	(66,370)	(66,370)	-
Net other financing sources (uses)	793,630	799,529	5,899
NET CHANGES IN FUND BALANCES	(59,215)	(74,789)	(15,574)
FUND BALANCES - BEGINNING	308,027	308,027	-
FUND BALANCES - ENDING	\$ 248,812	\$ 233,238	\$ (15,574)

BUDGETARY COMPARISON SCHEDULE - Street and Bridge Fund

Year ended June 30, 2023

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
Intergovernmental	\$ 151,000	\$ 151,859	\$ 859
Interest	<u>100</u>	<u>8,888</u>	<u>8,788</u>
Total revenues	151,100	160,747	9,647
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(350,000)</u>	<u>(80,000)</u>	<u>270,000</u>
NET CHANGES IN FUND BALANCES	(198,900)	80,747	279,647
FUND BALANCES - BEGINNING	<u>309,789</u>	<u>309,789</u>	<u>-</u>
FUND BALANCES - ENDING	<u><u>\$ 110,889</u></u>	<u><u>\$ 390,536</u></u>	<u><u>\$ 279,647</u></u>

BUDGETARY COMPARISON SCHEDULE - Solid Waste Fund

Year ended June 30, 2023

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
Property taxes	\$ 89,195	\$ 88,861	\$ (334)
State grants	163,665	163,666	1
Charges for services	53,800	50,329	(3,471)
Interest	8,250	8,852	602
Other	-	841	841
	<u>314,910</u>	<u>312,549</u>	<u>(2,361)</u>
Total revenues			
	314,910	312,549	(2,361)
EXPENDITURES			
Public works	<u>317,360</u>	<u>317,845</u>	<u>(485)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,450)	(5,296)	(2,846)
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(38,925)</u>	<u>(38,925)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(41,375)	(44,221)	(2,846)
FUND BALANCES - BEGINNING	<u>307,063</u>	<u>307,063</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 265,688</u>	<u>\$ 262,842</u>	<u>\$ (2,846)</u>

BUDGETARY COMPARISON SCHEDULE - Capital Projects Fund

Year ended June 30, 2023

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
Interest	\$ 200	\$ 8,248	\$ 8,048
EXPENDITURES			
Capital outlay	<u>59,400</u>	<u>41,389</u>	<u>18,011</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(59,200)	(33,141)	26,059
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>53,590</u>	<u>53,590</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(5,610)	20,449	26,059
FUND BALANCES - BEGINNING	<u>323,152</u>	<u>323,152</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 317,542</u>	<u>\$ 343,601</u>	<u>\$ 26,059</u>

BUDGETARY COMPARISON SCHEDULE - Equipment Replacement Fund

Year ended June 30, 2023

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
Interest	\$ 150	\$ 8,855	\$ 8,705
Intergovernmental	-	10,855	10,855
Total revenues	150	19,710	19,560
EXPENDITURES			
Capital outlay	76,850	76,830	20
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(76,700)	(57,120)	19,580
OTHER FINANCING SOURCES (USES)			
Transfers in	87,600	87,600	-
NET CHANGES IN FUND BALANCES	10,900	30,480	19,580
FUND BALANCES - BEGINNING	263,801	263,801	-
FUND BALANCES - ENDING	<u>\$ 274,701</u>	<u>\$ 294,281</u>	<u>\$ 19,580</u>

BUDGETARY COMPARISON SCHEDULE - Special Assessment Capital Project Fund

Year ended June 30, 2023

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
Interest	\$ 605	\$ 17,172	\$ 16,567
Other - special assessment revenue	<u>4,595</u>	<u>4,806</u>	<u>211</u>
Total revenues	5,200	21,978	16,778
EXPENDITURES			
Capital outlay	<u>-</u>	<u>1,550</u>	<u>(1,550)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,200	20,428	15,228
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(80,000)</u>	<u>-</u>	<u>80,000</u>
NET CHANGES IN FUND BALANCES	(74,800)	20,428	95,228
FUND BALANCES - BEGINNING	<u>427,813</u>	<u>427,813</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 353,013</u>	<u>\$ 448,241</u>	<u>\$ 95,228</u>

BUDGETARY COMPARISON SCHEDULE - Sewer Fund

Year ended June 30, 2023

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
OPERATING REVENUES			
Charges for services	\$ 1,107,150	\$ 1,079,922	\$ (27,228)
Penalties	20,000	22,838	2,838
Other	-	911	911
Total operating revenues	<u>1,127,150</u>	<u>1,103,671</u>	<u>(23,479)</u>
OPERATING EXPENSES			
Mains	283,105	278,406	4,699
Wastewater treatment plant	579,965	464,332	115,633
Administration	69,565	61,887	7,678
Depreciation	<u>245,000</u>	<u>254,263</u>	<u>(9,263)</u>
Total operating expenses	<u>1,177,635</u>	<u>1,058,888</u>	<u>118,747</u>
OPERATING INCOME (LOSS)	<u>(50,485)</u>	<u>44,783</u>	<u>95,268</u>
NONOPERATING REVENUES (EXPENSES)			
Gain (loss) on disposition of capital assets	-	(4,814)	(4,814)
Interest income	500	35,959	35,459
Capital outlay	(400,000)	-	400,000
Debt service	<u>(82,750)</u>	<u>(27,406)</u>	<u>55,344</u>
Total nonoperating revenues (expenses)	<u>(482,250)</u>	<u>3,739</u>	<u>485,989</u>
CAPITAL CONTRIBUTIONS			
Federal grants	400,000	419,725	19,725
County contribution	<u>-</u>	<u>295,337</u>	<u>295,337</u>
Total capital contributions	<u>400,000</u>	<u>715,062</u>	<u>315,062</u>
CHANGES IN NET POSITION	<u>(132,735)</u>	<u>763,584</u>	<u>896,319</u>
NET POSITION - BEGINNING	<u>5,178,093</u>	<u>5,178,093</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 5,045,358</u>	<u>\$ 5,941,677</u>	<u>\$ 896,319</u>

BUDGETARY COMPARISON SCHEDULE - Water Fund

Year ended June 30, 2023

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
OPERATING REVENUES			
Charges for services	\$ 595,670	\$ 607,596	\$ 11,926
Hydrant rentals	7,280	7,280	-
Penalties	7,500	8,075	575
Other	-	1,893	1,893
Total operating revenues	610,450	624,844	14,394
OPERATING EXPENSES			
Mains	255,270	239,727	15,543
Water pumping	184,480	169,364	15,116
Administration	73,335	62,209	11,126
Depreciation	83,000	69,256	13,744
Total operating expenses	596,085	540,556	55,529
OPERATING INCOME (LOSS)	14,365	84,288	69,923
NONOPERATING REVENUE (EXPENSE)			
Capital outlay	(450,000)	-	450,000
Interest income	2,500	35,826	33,326
Total nonoperating revenues (expenses)	(447,500)	35,826	483,326
CAPITAL CONTRIBUTIONS			
County contribution	-	122,709	122,709
CHANGES IN NET POSITION	(433,135)	242,823	675,958
NET POSITION - BEGINNING	2,993,093	2,993,093	-
NET POSITION - ENDING	\$ 2,559,958	\$ 3,235,916	\$ 675,958

BUDGETARY COMPARISON SCHEDULE - Motor Pool Fund

Year ended June 30, 2023

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
OPERATING REVENUES			
Equipment rental	\$ 215,000	\$ 252,357	\$ 37,357
Fuel and other charges	<u>20,000</u>	<u>34,643</u>	<u>14,643</u>
Total operating revenues	<u>235,000</u>	<u>287,000</u>	<u>52,000</u>
OPERATING EXPENSES			
Equipment pool operations	150,430	147,984	2,446
Depreciation	<u>105,000</u>	<u>82,695</u>	<u>22,305</u>
Total operating expenses	<u>255,430</u>	<u>230,679</u>	<u>24,751</u>
OPERATING INCOME (LOSS)	<u>(20,430)</u>	<u>56,321</u>	<u>76,751</u>
NONOPERATING REVENUES (EXPENSES)			
Capital outlay	(265,000)	-	265,000
Gain on sale of capital assets	44,000	75,097	31,097
Interest income	<u>1,000</u>	<u>10,114</u>	<u>9,114</u>
Total nonoperating revenues (expenses)	<u>(220,000)</u>	<u>85,211</u>	<u>305,211</u>
CHANGES IN NET POSITION	<u>(240,430)</u>	<u>141,532</u>	<u>381,962</u>
NET POSITION - BEGINNING	<u>891,318</u>	<u>891,318</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 650,888</u>	<u>\$ 1,032,850</u>	<u>\$ 381,962</u>

BALANCE SHEET - Downtown Development Authority

June 30, 2023

ASSETS

Cash	\$ -
Investments	<u>-</u>
Total assets	<u><u>\$ -</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ -
Accrued payroll liabilities	<u>-</u>
Total liabilities	<u>-</u>

Fund balance:

Restricted - community promotion	-
Unassigned	<u>-</u>
Total fund balance	<u>-</u>

Total liabilities and fund balance	<u><u>\$ -</u></u>
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Total fund balance	\$ -
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Amounts reported for the *component unit* in the statement of net position (page 14) are different because:

Capital assets are not financial resources and, therefore, are not reported in the fund.

-

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

-

Net position of the *component unit*

\$ -

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority

Year ended June 30, 2023

	<i>Final budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
REVENUES			
Intergovernmental	\$ -	\$ 22,004	\$ 22,004
Interest and rentals	270	5,703	5,433
Other	<u>77,870</u>	<u>68,527</u>	<u>(9,343)</u>
Total revenues	<u>78,140</u>	<u>96,234</u>	<u>18,094</u>
EXPENDITURES			
Economic development	279,885	247,803	32,082
Capital outlay	<u>128,415</u>	<u>123,065</u>	<u>5,350</u>
Total expenditures	<u>408,300</u>	<u>370,868</u>	<u>37,432</u>
NET CHANGES IN FUND BALANCES	(330,160)	(274,634)	55,526
FUND BALANCES - BEGINNING	<u>274,634</u>	<u>274,634</u>	<u>-</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ (55,526)</u>	<u>\$ -</u>	<u>\$ 55,526</u>
Net change in fund balance			\$ (274,634)
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			123,065
Deduct depreciation expense			(69,595)
Deduct contribution of assets to City			(1,695,646)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the fund:			
Decrease in compensated absences			<u>1,572</u>
Change in net position of <i>component unit</i>			<u>\$ (1,915,238)</u>